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105TH CONGRESS
1ST SESSION

H. R. 16

To provide a program of national health insurance, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 7, 1997

Mr. DINGELL introduced the following bill; which was referred to the Committee on Commerce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To provide a program of national health insurance, and
for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 *That this Act, with the following table of contents, may*
- 4 *be cited as the "National Health Insurance Act".*

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1 FINDINGS AND DECLARATION OF PURPOSE

2 SEC. 2. (a) The Congress finds that—

3 (1) the health of the Nation's people is the
4 foundation of our Nation's strength, productivity,
5 and wealth;

6 (2) the assurance of adequate medical care to
7 all of our people is essential to the general welfare
8 and to the Nation's security;

9 (3) since the tremendous advances in medical
10 science in recent years have necessarily meant great
11 advances in the cost of health services, our archaic
12 system of paying for medical care—based on public
13 and private charity for the poor, on unpredictable
14 and often unbearable costs to the otherwise self-sup-
15 porting, and on disproportionate charges for the
16 well-to-do—has resulted in the following conditions:

17 (A) the inability of the vast majority of our
18 people to meet the shattering cost of serious or
19 chronic illness;

1 (B) the inability of most of our people to
2 benefit from modern preventive medicine; and

3 (C) wholly inadequate provision for the
4 health needs of our farm families and agricul-
5 tural workers;

14 (b) The Congress declares the purposes of this Act
15 to be to provide a sound economic foundation for our free
16 system of medicine and to correct the maldistribution of
17 health personnel and facilities by establishing a system of
18 prepaid personal health insurance on the principle of social
19 insurance.

20 SEC. 3. In establishing a system of national health
21 insurance, it is the policy of this Act that those persons
22 and their dependents who are insured under the provisions
23 of the Act shall be assured full freedom to choose their
24 physicians and to change their choice as they may desire;
25 that physicians and other professions furnishing services

1 in accordance with the provisions of this Act shall be as-
2 sured full freedom in the practice of their professions, in-
3 cluding the right to accept or reject patients except as this
4 right may be restricted by their own professional ethics
5 or by the laws of the several States; and that the adminis-
6 tration of this Act shall be based upon the American prin-
7 ciple of decentralization.

8 SEC. 4. In carrying out these policies, it is the inten-
9 tion of Congress that the major administrative responsibil-
10 ities be placed in the hands of local bodies representing
11 both those who pay for and receive services and those who
12 render services, and operating within the framework of
13 plans made by the several States, and approved by the
14 Federal agency; that the National Health Care Trust
15 Fund created by this Act shall be allotted equitably among
16 the several States and by the States to their local areas;
17 that voluntary as well as governmental organizations shall
18 be recognized and utilized; and that all eligible individuals
19 and their dependents as specified in this Act shall be enti-
20 tled to its benefits without discrimination because of race,
21 color, or creed.

22 **TITLE I—BENEFITS AND ELIGIBILITY**

23 **CLASSES OF PERSONAL HEALTH SERVICES**

24 SEC. 101. (a) The personal health services to be made
25 available as benefits to eligible individuals as provided in

1 this title are medical services, dental services, podiatric
2 services, home-nursing services, hospital services, and aux-
3 iliary services. Each class of services shall be provided by
4 persons (including individuals, partnerships, corporations,
5 associations, consumer cooperatives, and other organiza-
6 tions) who are authorized by applicable State law, and who
7 are qualified under title II of this Act, to do so.

8 (b) Medical services consist of (1) general medical
9 services such as can be rendered by a physician engaged
10 in the general or family practice of medicine, including
11 preventive, diagnostic, and therapeutic care and periodic
12 medical examinations; and (2) specialist services rendered
13 by a physician who is a specialist in the class of services
14 rendered, as defined in section 201 of this Act. Such
15 services may be rendered at the office, home, hospital,
16 or elsewhere, as necessary.

17 (c) Dental services consist of (1) general dental serv-
18 ices rendered by a dentist engaged in the general practice
19 of dentistry, including preventive, diagnostic, and thera-
20 peutic care, and periodic dental examinations; and (2) spe-
21 cialist services rendered by a dentist who is a specialist
22 in the class of services rendered, as defined in section 201
23 of this Act. Such services may be rendered at the office,
24 home, hospital, or elsewhere, as necessary.

1 (d) Podiatric services consist of those professional
2 services of a podiatrist who is legally authorized to per-
3 form such services in the State in which he practices.

4 (e) Home-nursing services consist of nursing care of
5 the sick rendered in the home by a registered professional
6 nurse or a qualified practical nurse.

7 (f) Hospital services consist of hospitalization, includ-
8 ing necessary nursing services, and such physician, labora-
9 tory, ambulance, and other services in connection with
10 hospitalization as the National Health Insurance Board
11 (hereinafter in this Act referred to as the "Board"), after
12 consultation with the National Advisory Medical Policy
13 Council (hereinafter in this Act referred to as the "Advi-
14 sory Council"), by regulation designates as essential to
15 good hospital care, for a maximum of sixty days in any
16 benefit year; but hospital services shall not include hos-
17 pitalization in a mental disease hospital or institution, or
18 hospitalization for any day more than thirty days following
19 the diagnosis of a psychosis. Whenever the Board, after
20 consultation with the Advisory Council, finds that moneys
21 in the account (established by section 701) are adequate
22 and that facilities are available, it may by regulation in-
23 crease the maximum days of hospitalization in any benefit
24 year.

1 (g) Auxiliary services consist of such chemical, bac-
2 teriological, pathological, diagnostic X-ray and related lab-
3 oratory services; X-ray, radium, and related therapy; phys-
4 iotherapy; services of optometrists; and prescribed drugs
5 which are unusually expensive, special appliances, and eye-
6 glasses; as the Board, after consultation with the Advisory
7 Council, by regulation designates as auxiliary services on
8 the basis of its finding that their provision under this Act
9 is practicable and is essential to good health care.

10 AVAILABILITY OF BENEFITS

11 SEC. 102. (a) Medical services, hospital services, and,
12 except as otherwise provided in subsection (b) of this sec-
13 tion, all other personal health services specified in section
14 101 shall be made available (subject to section 701) as
15 benefits to eligible individuals in all health-service areas
16 within the United States as rapidly and as completely as
17 possible having regard for the availability of the profes-
18 sional and technical personnel and the hospital and other
19 facilities needed to provide such services. To this end the
20 resources and needs of each State shall be surveyed and
21 a program developed in each State to assure the maximum
22 participation and use of health personnel and facilities in
23 the provision of benefits, and to encourage improvement
24 in the number and distribution of such personnel and fa-
25 cilities throughout the State. Additional surveys shall be

1 undertaken as required, and the program in the State
2 from time to time modified on the basis thereof.

3 (b) If the Board, after consultation with the Advisory
4 Council, finds that the personnel or facilities or funds that
5 are or can be made available are inadequate to insure the
6 provision of all services included as dental, home-nursing,
7 or auxiliary services under section 101 of this Act, it may
8 by regulation limit for a specified period the services which
9 may be provided as benefits, or modify the extent to which,
10 or the circumstances under which, they will be provided
11 to eligible individuals. Any such restriction or limitation
12 shall be reduced or withdrawn as rapidly as may be prac-
13 ticable; and, in the case of dental services, priority in the
14 reduction or withdrawal of any such restriction or limita-
15 tion shall be given to children.

16 (c) The Board shall have the duty of studying and
17 making recommendations as to needed services and facili-
18 ties for the care of the chronic sick afflicted with physical
19 ailments, and for the care of individuals afflicted with
20 mental or nervous diseases, and as to needed provisions
21 for the prevention of chronic physical diseases and of men-
22 tal or nervous diseases; and of making reports from time
23 to time, with recommendations as to legislation, but the
24 first such report shall be made not later than two years
25 after benefits under this Act first become available.

1 HOW BENEFITS OBTAINED: FREE CHOICE BY PATIENT

2 SEC. 103. Every individual eligible for personal
3 health services available under this Act may freely select
4 the physician, dentist, podiatrist, nurse, medical group,
5 hospital, or other person of his choice to render such serv-
6 ices, and may change such selection if the practitioner,
7 medical group, hospital, or other person has agreed under
8 title II of this Act to furnish the class of services required
9 and consents to furnish such services to the individual.
10 General medical, dental, and podiatric services may be ob-
11 tained by request made by the individual directly to the
12 practitioner of the individual's choice. Specialist, home-
13 nursing, hospital, and auxiliary services shall be obtained
14 from the specialist, nurse, hospital, or other person of the
15 individual's choice, whenever the practitioner from whom
16 he is receiving medical or dental services as benefits under
17 this Act refers him for specialist, home-nursing, hospital,
18 or auxiliary services upon determining that such services
19 are required in the proper care of his particular case; or
20 whenever, upon request of the individual, an administra-
21 tive medical officer, upon a like determination, refers him
22 for such services. The Board, by regulation, shall dispense
23 with the necessity of referral in cases of emergency, and
24 may dispense with the necessity of referral under specified
25 circumstances or as respects specified classes of services,

1 or both, if it finds, after consultation with the Advisory
2 Council, that such action will be conducive to the provision
3 of a more adequate amount and quality of health care and
4 will not unreasonably increase the expenditures from the
5 account for such services.

ELIGIBILITY FOR BENEFITS

7 SEC. 104. (a) Subject to section 701, every individual
8 shall be eligible for benefits under this Act throughout any
9 benefit year if—

10 (1) he has received (or, in the case of income
11 from self-employment, has accrued)—

12 (A) not less than \$2,000 in wages during
13 the first four of the last six calendar quarters
14 preceding the beginning of the benefit year; or

15 (B) not less than \$1,500 in wages in each
16 of six calendar quarters during the first twelve
17 of the last fourteen calendar quarters preceding
18 the beginning of the benefit year (not counting
19 as one of such fourteen calendar quarters any
20 quarter in any part of which the individual was
21 under a total disability which continued for six
22 months or more);

23 (2) he is entitled, for the first month in the
24 benefit year, to a benefit under title II of the Social
25 Security Act or to an annuity under subchapter III

1 (relating to civil service retirement) of chapter 83
2 of title 5, United States Code; or

3 (3) he is on the first day of the benefit year a
4 dependent of an individual who is eligible under
5 paragraph (1) or paragraph (2).

6 (b) Subject to section 701, every individual, not eligi-
7 ble therefor under subsection (a), shall be eligible for bene-
8 fits under this Act during the remainder of a benefit year,
9 beginning with—

10 (1) the first day of any calendar quarter in
11 such benefit year, if he has received (or, in the case
12 of income from self-employment, has accrued) not
13 less than \$150 in wages during the first four of the
14 last six calendar quarters preceding the beginning of
15 such calendar quarter;

16 (2) the first day of the first month in such ben-
17 fit year for which he is entitled to a benefit or an-
18 nuity referred to in subsection (a)(2); or

19 (3) the first day in such benefit year on which
20 he is or becomes a dependent of an individual who
21 is eligible for benefits under subsection (a) (1) or (2)
22 under paragraph (1) or (2) of this subsection.

23 (c) No individual shall be deemed eligible for any per-
24 sonal health services as a benefit under this Act which
25 are required by reason of any injury, disease, or disability

1 on account of which any medical, dental, home-nursing,
2 hospital, or auxiliary service is being received, or upon ap-
3 plication therefor would be received, under a workmen's
4 compensation law of the United States or of any State,
5 unless equitable reimbursements to the fund for the provi-
6 sion of such services as benefits have been made or as-
7 sured under section 105 of this Act. In any case in which
8 an individual receives any personal health service as a ben-
9 efit under this Act with respect to any such injury, dis-
10 ease, or disability, for which no reimbursement to the fund
11 has been made or assured, the United States shall to the
12 extent permitted by State law be subrogated to all rights
13 of such individual, or of the person who furnished such
14 service, to be paid or reimbursed, pursuant to such work-
15 men's compensation law, for the cost of furnishing such
16 service.

17 PROVISION OF BENEFITS FOR NONINSURED NEEDY AND
18 OTHER INDIVIDUALS

19 SEC. 105. (a) Subject to section 701, any or all bene-
20 fits provided under this Act to individuals eligible for such
21 benefits may be furnished to individuals (including the
22 needy) not otherwise eligible therefor, for any period for
23 which equitable reimbursements to the account on behalf
24 of such needy or other individuals have been made, or for
25 which reasonable assurance of such reimbursements have

1 been given, by public agencies of the United States, the
2 several States, or any of them or of their political subdivi-
3 sions, such reimbursements to be in accordance with
4 agreements and working arrangements negotiated with
5 such public agencies. Services furnished to such needy or
6 other individuals as benefits shall be of the same quality,
7 be furnished by the same methods, and be paid for
8 through the same arrangements, as services furnished to
9 individuals eligible for benefits under this Act.

10 (b) Federal grants to States under title XIX, and
11 part A of title IV, of the Social Security Act, and Federal
12 grants to States for aid or assistance under other provi-
13 sions of such Act, shall be available to the States for provi-
14 sion of personal-health services for noninsured needy indi-
15 viduals in accordance with the provisions of subsection (a)
16 of this section.

17 **TITLE II—PARTICIPATION OF PHYSICIANS,
18 DENTISTS, NURSES, HOSPITALS, AND OTHERS
19 PHYSICIANS AND DENTISTS; SPECIALISTS**

20 SEC. 201. Any individual who is a physician, dentist,
21 or podiatrist legally authorized in a State to render any
22 services included as general medical, dental, or podiatric
23 services shall be deemed qualified to render such services
24 in that State as benefits under this Act. Any such individ-
25 ual who is found to possess skill and experience of a degree

1 and kind sufficient to meet standards established for a
2 class of specialist services shall be deemed qualified to re-
3 ceive compensation for specialist services of such class as
4 benefits under this Act. The Board, after consultation
5 with the Advisory Council, shall establish standards as to
6 the special skills and experience required to qualify an in-
7 dividual to render each such class of specialist services as
8 benefits under this Act, and to receive compensation for
9 such specialist services. In establishing such standards
10 and in determining whether individuals qualify there-
11 under, standards and certifications developed by profes-
12 sional agencies shall be utilized as far as is consistent with
13 the purposes of this Act, and regard shall be had for the
14 varying needs and the available resources in professional
15 personnel of the States and of local health-service areas.

16 NURSES

17 SEC. 202. Any individual shall be deemed qualified
18 to render home-nursing services in a State as benefits
19 under this title if such individual is (a) a professional
20 nurse registered in such State, or (b) a practical nurse

1 (1) who is qualified as such under State standards or re-
2 quirements, or, in the absence of State standards or re-
3 quirements, is found to be qualified under standards es-
4 tablished by the Board after consultation with the Advi-
5 sory Council and with nursing agencies, and (2) who fur-
6 nishes nursing care under the direction or supervision of
7 the State health agency, the health agency of a political
8 subdivision of the State, or an organization supplying and
9 supervising the services of registered professional nurses
10 in the State.

11 **HOSPITALS**

12 SEC. 203. Any hospital or other institution shall be
13 deemed qualified to furnish all or particular classes of hos-
14 pital services as benefits under this Act if it is qualified
15 to furnish such services under State standards or require-
16 ments for the maintenance and operation of hospitals
17 which apply to the class or classes of services to be fur-
18 nished, or if, in the absence of such State standards or
19 requirements, it is found to afford professional services,
20 personnel, and equipment adequate to promote the health
21 and safety of individuals requiring the class or classes of
22 hospital services to be furnished, according to standards
23 which the Board shall establish after consultation with the
24 Advisory Council.

1 AUXILIARY SERVICES

2 SEC. 204. Any person (as defined in section 901(1))
3 who is qualified under State standards or requirements
4 to furnish a class of services included as auxiliary services,
5 or, in the absence of State standards or requirements, is
6 found to be qualified to furnish a class of such services
7 under standards established for such class by the Board
8 after consultation with the Advisory Council, shall be
9 deemed qualified to furnish such class of auxiliary services
10 in that State as benefits under this Act.

AGREEMENTS WITH INDIVIDUAL PRACTITIONERS,

HOSPITALS, AND OTHERS

13 SEC. 205. Any individual (or, in the case of hospital
14 or auxiliary services, any person) qualified under this title
15 to furnish any class or classes of personal health services
16 as benefits may enter into an agreement with the State
17 agency which in accordance with title IV has assumed re-
18 sponsibility for the administration in the State of benefits
19 under this Act (hereinafter in this Act referred to as the
20 "State agency"), to furnish such class or classes of serv-
21 ices as benefits to individuals eligible therefor under this
22 Act.

1 AGREEMENTS WITH VOLUNTARY HEALTH INSURANCE 2 AND OTHER ORGANIZATIONS

3 SEC. 206. (a) In the provision of personal health
4 services, it shall be the policy to utilize individuals or orga-
5 nizations qualified under this title to render such services,
6 including (1) any organized group of individuals, (2) any
7 partnership, association, or consumer cooperative, (3) any
8 hospital or any hospital and its staff, or (4) any organiza-
9 tion operating a voluntary health-service insurance plan
10 or other voluntary health-service plan.

11 (b) The State agency is authorized to enter into an
12 agreement with any organization referred to in subsection
13 (a) for the provision of personal health services under this
14 Act. Any such organization, whether or not it enters into
15 an agreement with the State agency on its own behalf,
16 shall be permitted to act as agent for individuals or other
17 persons in negotiating or in carrying out agreements with
18 the State agency for rendering personal health services
19 under this Act.

20 (c) Any agreement under this section shall provide
21 that each class of personal health services will be furnished
22 only by individuals (or, in the case of hospital or auxiliary
23 benefits, by persons, as defined in section 901(1)) who are
24 qualified under this title to render such class of services

1 and each of whom has agreed or has authorized an agree-
2 ment to be made on his behalf with the State agency that
3 he will furnish such services in accordance with this Act
4 and with regulations prescribed thereunder. Each such in-
5 dividual or person shall be responsible, both to the State
6 agency and (in accordance with applicable State law) to
7 individuals eligible for personal health services as benefits,
8 for carrying out such agreement made by him or on his
9 behalf.

10 PROVISIONS COMMON TO ALL AGREEMENTS

11 SEC. 207. (a) Each agreement made under this title
12 shall specify the class or classes of services to be furnished
13 or provided pursuant to its terms, shall contain an under-
14 taking to comply with this Act and with regulations pre-
15 scribed thereunder, shall be made upon terms and condi-
16 tions consistent with the efficient and economical adminis-
17 tration of this Act, and shall continue in force for such
18 period and be terminable upon such notice as may be
19 agreed upon.

20 (b) No agreement under section 206, and no designa-
21 tion of an agent, shall for more than one year preclude
22 any individual or person qualified to furnish personal
23 health services from exercising such rights as he would
24 otherwise have under this title (1) to negotiate and enter
25 into an agreement directly with the State agency, or (2)

1 to designate another agent for such negotiation, or (3) to
2 participate in another agreement under section 206.

3 (c) No agreement made under this title shall confer
4 upon any individual or other person, or any group or other
5 organization, the right of furnishing or providing personal
6 health services as benefits, to the exclusion in whole or
7 in part of other individuals, persons, groups, or organiza-
8 tions qualified to furnish or provide such services.

9 (d) If the State agency after investigation finds that
10 an individual or other person under agreement to furnish
11 or provide personal health services as benefits is no longer
12 qualified to furnish or provide such services, or has com-
13 mitted a substantial breach of the agreement, it shall no-
14 tify such person of its findings, together with the reasons
15 therefor, and in the absence of a request for a hearing
16 by such person under title VI, or in the event of a final
17 decision sustaining its findings after any hearing and fur-
18 ther review provided under title VI, may terminate the
19 agreement and withdraw the person's name from the list
20 published pursuant to title III. After an agreement has
21 been so terminated, no new agreement shall be entered
22 into with such person under this Act unless and until such
23 person gives reasonable assurances to the State agency of

1 his or its ability and willingness to discharge all obliga-
2 tions and responsibilities under a new agreement satisfac-
3 torily in accordance with its provisions.

4 METHODS OF PAYMENTS FOR SERVICES

5 SEC. 208. (a) Agreements for the furnishing of medi-
6 cal, dental, or podiatric services (other than specialist
7 services) as benefits under this Act shall provide for pay-
8 ment—

9 (1) on the basis of fees for services rendered as
10 benefits, according to a fee schedule;

11 (2) on a per capita basis, the amount being ac-
12 cording to the number of individuals eligible for ben-
13 efits who are on the practitioner's list;

14 (3) on a salary basis, whole time or part time;
15 or

16 (4) on such combinations or modifications of
17 these bases, including separate provision for travel
18 and related expenses, as may be approved by the
19 State agency;

20 according in each health-service area as the majority of
21 the medical practitioners or of the dental practitioners, re-
22 spectively, under agreement to furnish such services shall
23 elect. Provision shall be made for another method or meth-
24 ods of payment (from among the methods listed in this

1 subsection) to those medical practitioners or to those den-
2 tal practitioners who do not elect the method of such ma-
3 jority, when it is found that such alternative method of
4 making payments contributes to carrying out the provi-
5 sions of section 305 of this Act or otherwise promotes the
6 efficient and economical provision of medical or dental
7 services in the area.

8 (b) Agreements for the furnishing of specialist serv-
9 ices as benefits under this Act may provide for payments
10 on the basis of fee for service, per case, per session, per
11 capita, on salary (whole time or part time), or other basis,
12 or combination thereof.

13 (c) Any of the methods of making payments from
14 among the methods listed in subsection (a) or subsection
15 (b) may be used in making payments to groups or practi-
16 tioners or organizations or other agencies which undertake
17 to provide specialist services as well as general medical or
18 general dental services.

19 (d) Agreements for the furnishing of hospital services
20 as benefits under this Act shall provide for payment on
21 the basis of the reasonable costs of hospitalization fur-
22 nished as benefits. The Board, after consultation with the
23 Advisory Council and with representatives of interested
24 hospital organizations, may by regulation prescribe maxi-
25 mum rates for hospitalization furnished as benefits under

1 this Act, and such maximum rates may be varied accord-
2 ing to classes of localities or types of service. Payments
3 to hospitals shall be based on the least expensive multiple-
4 bed accommodations available in the hospital unless the
5 patient's condition makes the use of private accommoda-
6 tions essential for his proper medical care. An agreement
7 made for furnishing such services shall not affect the right
8 of the hospital or other person with whom the agreement
9 is made to require payments from patients with respect
10 to the additional cost of more expensive facilities occupied
11 at the request of the patient, or with respect to services
12 not included as benefits under this Act.

13 (e) Agreements for the furnishing of home-nursing
14 services or auxiliary services as benefits under this Act
15 shall provide for payment in accordance with such meth-
16 ods as the State agency may approve from among those
17 set forth in regulations prescribed pursuant to this Act.

18 (f) In any health-service area where agreements for
19 the furnishing of general medical or general dental serv-
20 ices provide for payment only on a per capita basis, the
21 per capita payments with respect to those individuals re-
22 siding in the area who have failed to select a practitioner
23 or other person to furnish such services to them shall be
24 made on a pro rata basis among the practitioners and

1 other persons under agreement to furnish such services
2 in the area.

3 AMOUNT OF PAYMENTS FOR SERVICES

4 SEC. 209. (a) Rates or amounts of payment for par-
5 ticular services or classes of services furnished as benefits
6 under this Act shall be adapted to take account of relevant
7 regional, State, or local conditions and practices. In arriv-
8 ing at the payments to be made for services of general
9 medical and dental practitioners, specialists, professional
10 and practical nurses, or other practitioners, regard shall
11 be had for the annual income or its equivalent which the
12 payments will provide, and consideration shall be given to
13 degree of specialization, and to the skill, experience, and
14 responsibility involved in rendering the services. Such pay-
15 ments, together with the other terms and conditions of the
16 agreements made under this title, shall be adequate to
17 provide professional and financial incentives to practition-
18 ers to advance in their professions and to practice in local-
19 ities where their services are most needed, to encourage
20 high standards in the quality of services furnished, to give
21 assistance in their use of opportunities for postgraduate
22 study, and to allow for adequate vacation.

23 (b) The rates and amounts of payments fixed under
24 the different methods of payments specified in subsections
25 (a), (b), (c), and (e) of section 208, and the methods of
26 making payments, shall assure reasonably equivalent

1 awards for practitioners selecting different methods of
2 payment, in consideration of the value of the services they
3 render.

4 (c) Maximum limits upon the number of eligible indi-
5 viduals with respect to whom any person may undertake
6 to render services in any local health-service area may be
7 fixed by the local administrative committee or local admin-
8 istrative officer of that health-service area only on the
9 basis of a recommendation of the professional committee
10 in that area that such limitation is necessary to maintain
11 high standards in the quality of medical, dental, or other
12 services furnished as benefits. Any such limits shall take
13 account of professional needs and practices and shall pro-
14 vide suitable exceptions for emergency and temporary situ-
15 ations.

16 (d) The making of an agreement under section 206
17 with a group or other organization shall not operate to
18 increase the payments to be made pursuant to any such
19 agreement over the amounts which, in the absence of such
20 group or organization would be payable for the same serv-
21 ices pursuant to agreements made under section 205 di-
22 rectly with the person or persons who furnish the services.

23 PROFESSIONAL RIGHTS AND RESPONSIBILITIES

24 SEC. 210. (a) Any person who enters into an agree-
25 ment under this title may terminate such agreement after

1 reasonable notice and after suitable arrangements are
2 made to fulfill professional obligations to eligible individ-
3 uals.

4 (b) Every physician, dentist, or nurse agreeing to
5 render services as benefits under this Act shall be free to
6 practice his profession in the locality of his own choosing,
7 consistent with the requirements of the laws of the States.

8 (c) Every physician, dentist, nurse, hospital, or other
9 person entering into an agreement under this title shall
10 be free to the extent consistent with applicable State law
11 and customary professional ethics to accept or reject as
12 a patient any individual requesting his services.

13 (d) No supervision or control over the details of ad-
14 ministration or operation, or over the selection, tenure, or
15 compensation of personnel, shall be exercised under the
16 authority of this Act over any hospital which has agreed
17 to furnish personal health services as benefits.

18 **TITLE III—LOCAL ADMINISTRATION**

19 **DECENTRALIZATION OF ADMINISTRATION**

20 SEC. 301. In order that personal health-service bene-
21 fits may be made available promptly and in a manner best
22 adapted to local practices, conditions, and needs, respon-
23 sibility for administration of the benefits provided under
24 this Act in the several local health-service areas shall be
25 decentralized as fully as practicable to local administrative

1 committees or local administrative officers, acting with the
2 advice and assistance, as provided in this title, of local
3 professional committees and, in the case of local adminis-
4 trative officers, the advice and assistance of local area
5 committees. The health-service areas of a State shall be
6 those so designated in the State plan of operations.

7 LOCAL ADMINISTRATIVE COMMITTEE OR OFFICER

8 SEC. 302. The local administrative agency for each
9 local health-service area may, as determined by the State,
10 be either—

11 (1) a local administrative committee established
12 in accordance with section 303, which shall act
13 through a local executive officer; or

14 (2) a local administrative officer, who shall act
15 with the advice and assistance of a local advisory
16 committee established in accordance with section
17 303.

18 The local administrative committee or officer, with the ad-
19 vice and assistance of such local professional committees
20 as may from time to time be established, shall arrange
21 for the furnishing of personal health-service benefits to eli-
22 gible individuals in the area and to that end shall—

23 (a) publish, and make readily available to eligi-
24 ble individuals in the area, lists of the names of all
25 persons who have agreed to furnish personal health

1 services in the area, together with the class or class-
2 es of services which each has undertaken to furnish;

3 (b) disseminate pertinent information concerning-
4 ing the rights and privileges under this Act of eligi-
5 ble individuals and of persons qualified to furnish
6 personal health services as benefits;

7 (c) maintain effective relationships with physi-
8 cians, dentists, nurses, hospitals, and other persons
9 who have entered into agreements to furnish per-
10 sonal health services in the area, in order to facili-
11 tate the furnishing of such services in accordance
12 with such agreements, to assure full and prompt
13 payment to such persons for services so furnished,
14 and to enlist their full cooperation in the administra-
15 tion of benefits under this Act in the area;

16 (d) receive and, to the extent possible in the
17 local area, adjust any complaints which may be
18 made concerning the administration of benefits
19 under this Act in the area;

20 (e) perform such other duties (including the
21 making of payments to persons furnishing personal
22 health services in the area) as may be assigned by
23 the State agency; and

24 (f) take or initiate such other administrative ac-
25 tion as he finds will best carry out, within the area,

1 the provisions of this Act, and best effectuate its
2 purposes.

3 LOCAL AREA COMMITTEES

4 SEC. 303. (a) A local area committee shall be estab-
5 lished in each health-service area. If designated by the
6 State as a local administrative committee, the local area
7 committee shall perform the functions specified in section
8 302 and shall formulate policies for the administration of
9 benefits under this Act in the area. If designated as an
10 advisory committee, it shall advise and assist in the per-
11 formance of such functions and the formulation of such
12 policies. The committee, whether administrative or advi-
13 sory, shall participate in the solution of problems affecting
14 the administration of such benefits, shall promote impartial-
15 ity and freedom from political influence in such admin-
16 istration, and shall perform related functions to the end
17 that administration in the area may be responsive to the
18 wishes and needs of persons furnishing and receiving bene-
19 fits in the area, be adapted to local practices and re-
20 sources, and provide adequate and high quality personal
21 health services to all eligible individuals.

22 (b) Each local area committee shall consist of not less
23 than eight nor more than sixteen members. The members
24 shall be so selected that a majority of the committee shall
25 be representative of the interests of individuals in the area

1 who are eligible for benefits, and the remaining mem-
2 bers shall be chosen from the several professions, hos-
3 pitals, and other organizations in the area by whom such
4 benefits will be provided.

5 (c) The local area committee shall meet as often as
6 may be necessary, and whenever one-third or more of the
7 members request a meeting; in the case of a local adminis-
8 trative committee, not less frequently than once each
9 month, and in the case of a local advisory committee, not
10 less frequently than once in each quarter of the year. At
11 least one meeting of the committee each year shall be open
12 to the public, notice of which shall be published and at
13 which any person in the area may participate. At least
14 once each year there shall be a statewide meeting of local
15 administrative officers and representatives of local admin-
16 istrative committees. At least once in each year there shall
17 be a statewide meeting of representatives of all local advi-
18 sory committees in the State, and any reports or rec-
19 ommendations made at such meeting shall on the request
20 of such meeting be transmitted through the State agency
21 to the Board.

22 LOCAL PROFESSIONAL COMMITTEES

23 SEC. 304. Local committees representative of the per-
24 sons furnishing personal health services in the area shall
25 be established in each health-service area to assist the

1 local administrative committee and its executive officer, or
2 the local administrative officer and the local advisory com-
3 mittee, as the case may be, in the preservation of the cus-
4 tomary freedom and responsibility (under applicable State
5 law) of practitioners in the exercise of professional judg-
6 ment as to the care of patients, and in the solution of
7 technical problems concerning the participation of profes-
8 sional personnel, hospitals, and other qualified persons in
9 the provision of personal health services as benefits, and
10 to advise the local administrative or executive officer and
11 the local area committee regarding matters of professional
12 practice or conduct arising in connection with the perform-
13 ance of agreements for the provision of such services. Such
14 local committees shall meet on call of the local administra-
15 tive committee or officer, as the case may be, or upon their
16 own motion. The members of any such local professional
17 committee may be professional members of the local area
18 committee or other professional persons or both.

METHODS OF ADMINISTRATION

20 SEC. 305. (a) In each health-service area the methods
21 of administration shall be such as to—
22 (1) insure the prompt and efficient care of indi-
23 viduals entitled to personal health services as bene-
24 fits;

16 (6) insure the provision of adequate service with
17 the greatest economy consistent with high standards
18 of quality.

19 (b) Local administrative officers shall be appointed
20 by the State agency or the head thereof, in accordance
21 with the merit system provided for in the State plan of
22 operations; local administrative committees shall be ap-
23 pointed by such agency or the head thereof, from individ-
24 uals residing in the respective health-service areas, and the
25 executive officers of such committees shall be appointed

1 by the committees in accordance with the merit system;
2 the local health-service areas shall be those so designated
3 in such plan; and members of local advisory committees
4 and of local professional committees shall be selected in
5 accordance with methods set forth in such plan.

6 (c) In exercising their functions and discharging their
7 responsibilities under this Act, local administrative officers
8 and communities, local advisory committees, and local pro-
9 fessional committees shall observe the provisions of this
10 Act, and of regulations prescribed thereunder, and of any
11 regulations, standards, and procedures prescribed by the
12 State agency.

13 **TITLE IV—STATE ADMINISTRATION**

14 **DECLARATION OF POLICY**

15 SEC. 401. It is the intent of Congress that the bene-
16 fits provided under this Act be administered wherever pos-
17 sible by the several States, in accordance with plans of
18 operations submitted and approved as provided in this
19 title, and in each State insofar as feasible by the same
20 State agency which administers, or supervises the admin-
21 istration of, the State's general public health and maternal
22 and child health programs.

23 **STATE PLAN OF OPERATIONS**

24 SEC. 402. (a) Any State desiring to assume respon-
25 sibility for the administration in the State of the personal

1 health-service benefits provided under this Act to all indi-
2 viduals in the State who are eligible for such benefits, may
3 do so for the period beginning October 1, 1998 (when ben-
4 efits first become available under this Act), or for the pe-
5 riod beginning October 1 of any succeeding year, if it has
6 undertaken, through its legislature, to administer such
7 benefits in accordance with the provisions of this Act and
8 with the provisions of regulations and standards pre-
9 scribed thereunder, and, at least twelve months in ad-
10 vance, has submitted and had approved a State plan of
11 operations which—

12 (1) designates as the sole agency for the state-
13 wide administration of benefits under this Act a sin-
14 gle State agency duly authorized under the law of
15 the State to administer such benefits within the
16 State in accordance with the provisions of this Act,
17 the provisions of regulations and standards pre-
18 scribed thereunder, and the provisions of the State
19 plan;

20 (2) provides for the designation of a State advi-
21 sory committee which shall include members who are
22 familiar with the needs for personal health services
23 in urban and rural areas, and who are representative
24 of the interests of individuals in the State who are
25 eligible for benefits, such members to constitute a

1 majority, and members chosen from the several pro-
2 fessions, hospitals, and other organizations in the
3 State by whom such benefits will be provided, to ad-
4 vise the State agency in carrying out the administra-
5 tion of such benefits in the State;

6 (3) provides for the decentralized administra-
7 tion of this Act in the State in accordance with title
8 III for the designation of local health-service areas,
9 and for such methods of selecting the members of
10 local advisory committees and of local professional
11 committees as are calculated to insure representa-
12 tion of the nature set forth in sections 303 and 304,
13 respectively;

14 (4) provides such methods of administration, in-
15 cluding methods relating to the establishment and
16 maintenance of personnel standards on a merit basis
17 (except that the Board shall exercise no authority
18 with respect to the selection, tenure of office, or
19 compensation of any individual employed in accord-
20 ance with such methods), as are found by the Board
21 to be necessary for the proper and efficient adminis-
22 tration of such benefits in the State;

23 (5) provides for the making of surveys of the
24 resources and needs of the State, in accordance with

1 section 102(a), and sets forth a program for the ad-
2 ministration of such benefits in the State which
3 gives reasonable assurance (A) that maximum use
4 will be made of all available health personnel and fa-
5 cilities desiring to participate in the provision of ben-
6 efits to eligible individuals, (B) that funds allotted to
7 the State for the several classes of benefits will be
8 allocated in such manner as to give reasonable as-
9 surance of the availability of services in all health-
10 service areas in the State, and (C) that any mal-
11 distribution or other inadequacies in the health per-
12 sonnel or facilities available for such purpose, or in
13 the quality of the services rendered, will be progres-
14 sively improved as rapidly as may be practicable;

15 (6) provides that the State agency will make
16 such reports in such form and containing such infor-
17 mation as the Board may from time to time reason-
18 ably require, and give the Board, upon demand, ac-
19 cess to the records upon which such information is
20 based;

21 (7) provides that all Federal funds paid to the
22 State agency for purposes of carrying out this Act
23 in the State shall be properly safeguarded and ex-
24 pended solely for the purposes for which paid, and

1 provides for the repayment by the State to the United
2 States of any such funds lost by the State agency
3 or diverted from the purposes for which paid; and

4 (8) provides for cooperation, including where
5 necessary entering into working agreements (with
6 any appropriate transfer of funds), with other public
7 agencies of the State or of its political subdivisions
8 concerned with programs related to the purposes of
9 this Act, and with appropriate agencies of other
10 States or of the United States administering this
11 Act, or benefits under this Act, in other States.

12 (b) The Board shall approve any State plan and any
13 modification thereof submitted by the State which it finds
14 complies with the provisions of subsection (a). No change
15 in a State plan shall be required within one year after
16 initial approval thereof, or within one year after any
17 change thereafter required therein, by reason of any
18 change in the regulations or standards prescribed pursu-
19 ant to this Act, except with the consent of the State or
20 in accordance with further action by Congress.

21 (c) In the event of its disapproval of any plan or any
22 modification therein submitted by a State pursuant to this
23 title, the Board shall notify the State of such disapproval
24 and shall, upon request of the State, afford it reasonable
25 notice and opportunity for a hearing on such disapproval.

1 (d) If a State has not prior to October 1, 1998, sub-
2 mitted and had approved a plan of operations, the Board
3 shall notify the Governor of the State that the Board will
4 be required to administer this Act in the State, commenc-
5 ing October 1, 1998. The Board shall provide for the pub-
6 lication of such notice in at least two newspapers of gen-
7 eral circulation in the State. If within sixty days after such
8 notification to the Governor the State has not submitted
9 an approvable plan, the Board shall continue such admin-
10 istration until one year after the submission and approval
11 of a plan of operations in accordance with this section.
12 The Board may waive the requirement that a State plan
13 must be submitted and approved one year prior to com-
14 mencement of State administration if it is satisfied in a
15 particular case that the substitution of a shorter pre-
16 paratory period will not prejudice the interests of eligible
17 individuals in the State.

18 (e) Whenever the Board, after reasonable notice and
19 opportunity for hearing to the State, finds that the State,
20 having submitted and had approved a plan of operations
21 under this title—

22 (1) is not complying substantially with the pro-
23 visions of such plan, or with the provisions of this
24 Act or any regulations or standards prescribed
25 thereunder, or

(2) has withdrawn its plan or failed to change it when and as required by a change in this Act or in regulations prescribed thereunder,

the Board shall notify the Governor of the State of such findings, together with its reasons therefor and a statement concerning the effect of such findings under this Act, and shall provide for the publication of such notice in at least two newspapers of general circulation in the State.

If within sixty days following such a notice the State has not taken appropriate action to bring its plan or its administration thereof into conformity with this Act and regulations and standards thereunder, the Board shall immediately assume responsibility for the administration of this Act in the State and shall administer the same in such State for so long thereafter as the State fails to give reasonable assurances of substantial compliance or fails to submit an approvable plan, as the case may be.

18 (f) In any State in which the Board has assumed re-
19 sponsibility for the administration of benefits under this
20 Act as provided in subsections (d) and (e) of this section,
21 the Board shall have and discharge all authority and du-
22 ties, in accordance with the provisions of this Act, which
23 it finds necessary for that purpose, and the term "State
24 agency" wherever used in title II or title III of this Act
25 shall be deemed to refer to the Board.

1 (g) Nothing in this Act shall preclude any State or
2 any political subdivision thereof, whether or not the State
3 has assumed responsibility for the administration of bene-
4 fits under this Act, from furnishing, with funds available
5 from sources other than the account, any additional health
6 services to individuals who are eligible for benefits under
7 this Act or any or all health services to individuals who
8 are not so eligible.

9 TITLE V—NATIONAL HEALTH INSURANCE
10 BOARD; NATIONAL ADVISORY MEDICAL
11 POLICY COUNCIL; GENERAL ADMINISTRA-
12 TIVE PROVISIONS

13 NATIONAL HEALTH INSURANCE BOARD

14 SEC. 501. (a) There is hereby established in the De-
15 partment of Health and Human Services a National
16 Health Insurance Board, to be composed of five members,
17 three of whom shall be appointed by the President by and
18 with the advice and consent of the Senate, and the other
19 two of whom shall be the Surgeon General of the Public
20 Health Service and the Commissioner of Social Security.

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1 During his term of membership on the Board, no ap-
2 pointed member shall engage in any other business, voca-
3 tion, or employment. At least one of the appointed mem-
4 bers shall be a doctor of medicine licensed to practice med-
5 icine or surgery in one of the States. Each appointed mem-
6 ber shall receive a salary at an annual rate of basic pay,
7 established by the President, which is not less than the
8 annual rate of basic pay for positions at level V of the
9 Executive Schedule and which is not greater than the an-
10 nual rate of basic pay for positions at level IV of the Exec-
11 utive Schedule, and shall hold office for a term of six
12 years, except that (1) any member appointed to fill a va-
13 cancy occurring prior to the expiration of the term for
14 which his predecessor was appointed shall be appointed
15 for the remainder of such term; and (2) the terms of office
16 of the members first taking office after the date of the
17 enactment of this Act shall expire, as designated by the
18 President at the time of appointment, one at the end of
19 two years, one at the end of four years, and one at the
20 end of six years, after the date of the enactment of this
21 Act. The President shall designate one of the appointed
22 members as the Chairman of the Board.

23 (b) All functions of the Board shall be administered
24 by the Board under the direction and supervision of the
25 Secretary of Health and Human Services. The board shall

1 perform such functions as it finds necessary to carry out
2 the provisions of this Act, and shall make all regulations
3 and standards specifically authorized to be made in this
4 Act and such other regulations not inconsistent with this
5 Act as may be necessary. The Board may delegate to any
6 of its members, officers, or employees, or with the ap-
7 proval of the Secretary to any other officer or employee
8 of the Department of Health and Human Services, such
9 of its powers or duties, except that of making regulations,
10 as it may consider necessary and proper to carry out the
11 provisions of this Act. The Board may also enter into
12 agreements for the furnishing or provision of personal
13 health services under this Act without regard to the provi-
14 sions of title 5, United States Code, pertaining to the ap-
15 pointment, status, or compensation of Federal employees,
16 or pertaining to contracts for personal services, and with-
17 out regard to section 3709 of the Revised Statutes (41
18 U.S.C. 5), and any person rendering services pursuant to
19 an agreement so made shall not by reason thereof be
20 deemed to be an employee of the United States.

21 (c) In administering the provisions of this Act, the
22 Board is authorized to utilize the services and facilities
23 of any executive department or other agency of the United
24 States in accordance with an agreement with the head
25 thereof. Payment for such services and facilities shall be

1 made in advance or by way of reimbursement, as may be
2 agreed upon with the head of the executive department
3 or other agency furnishing them.

4 (d) Personnel of the Board shall be appointed by the
5 Secretary upon recommendation of the Board. The Sec-
6 retary is authorized to detail to the Board, upon its re-
7 quest, any officer or employee of the Department of
8 Health and Human Services, and in his discretion to reim-
9 burse, from funds available for the administration of this
10 Act, the appropriation from which the salary or, in the
11 case of commissioned officers of the Public Health Service,
12 the pay and allowances of such officer or employee are
13 paid.

14 (e) Upon the request of any State agency administer-
15 ing a State plan of operations pursuant to title IV of this
16 Act, or upon the request of any State desiring to prepare
17 and submit a plan of operations, any officer or employee
18 of the Board (including any officer or employee detailed
19 to the Board pursuant to subsection (d)) may be detailed
20 by the Board to assist in the administration, or in the
21 preparation, of such State plan of operations. The funds
22 available for the Federal administration of this Act may,
23 in the discretion of the Secretary, be reimbursed from
24 funds allotted to the State pursuant to section 802 and
25 available for State administration, for the salary (or for

1 the pay and allowances) of any officer or employee so de-
2 tailed.

3 ADVISORY COUNCIL

4 SEC. 502. (a) There is hereby established a National
5 Advisory Medical Policy Council to consist of the Chair-
6 man of the Board, who shall serve as Chairman of the
7 Advisory Council ex officio, and sixteen/ members ap-
8 pointed by the Secretary of Health and Human Services.
9 At least eight of the sixteen appointed members shall be
10 individuals who are familiar with the need for personal
11 health services in urban or rural areas and who are rep-
12 resentative of the interests of individuals eligible for bene-
13 fits under this Act, and at least six of the members shall
14 be individuals who are outstanding in the medical or other
15 professions concerned with the provision of services pro-
16 vided as benefits under this Act and who are representa-
17 tive of the individuals, organizations, and other persons
18 by whom personal health services will be provided. Each
19 appointed member shall hold office for a term of four
20 years, except that any member appointed to fill a vacancy
21 occurring prior to the expiration of the term for which
22 his predecessor was appointed shall be appointed for the
23 remainder of that term, and the terms of the members
24 first taking office shall expire, as designated by the Sec-
25 retary at the time of appointment, four at the end of the
26 first year, four at the end of the second year, four at the

1 end of the third year, and four at the end of the fourth
2 year after the date of appointment. The Advisory Council
3 is authorized to appoint such special advisory technical or
4 professional committees as may be useful in carrying out
5 its functions, and the members of such committees may
6 be members of the Advisory Council, or other persons, or
7 both. Appointed Advisory Council members and members
8 of technical or professional committees, while serving on
9 business of the Council (inclusive of traveltme), shall re-
10 ceive compensation at rates fixed by the Secretary, but
11 not exceeding \$200 per day, and shall be entitled to re-
12 ceive actual and necessary traveling expenses and per diem
13 in lieu of subsistence while so serving away from their
14 places of residence. The Advisory Council, its appointed
15 members, and its committees, shall be provided with such
16 secretarial, clerical, or other assistance as may be provided
17 by the Congress for carrying out their respective func-
18 tions. The Advisory Council shall meet as frequently as
19 the Board deems necessary, but not less than twice each
20 year. Upon request by six or more members, it shall be
21 the duty of the Chairman to call a meeting of the Council.

22 (b) The Advisory Council shall advise the Board with
23 reference to matters of general policy and administration
24 arising in connection with the making of regulations, the

1 establishment of professional standards, and the perform-
2 ance of its other duties under this Act.

3 (c) Section 14 of the Federal Advisory Committee Act
4 shall not apply to the Advisory Council.

5 STUDIES, RECOMMENDATIONS, AND REPORTS

6 SEC. 503. The Board shall have the duty of studying
7 and making recommendations as to the most effective
8 methods of providing health services, and as to legislation
9 and matters of administrative policy concerning health
10 and related subjects. At the beginning of each regular ses-
11 sion of Congress, it shall make a full report to Congress
12 of the administration of this Act, including a report with
13 regard to the adequacy of its financial provisions con-
14 tained in this Act and of appropriations made pursuant
15 thereto, the methods of allotment of funds among the
16 States, and related matters. Such report shall include a
17 record of consultations with the Advisory Council, rec-
18 onmendations of the Advisory Council, and comments
19 thereon.

20 NONDISCLOSURE OF INFORMATION

21 SEC. 504. Information concerning an individual, ob-
22 tained from him or from any physician, dentist, nurse, or
23 hospital, or from any other person pursuant to or as a
24 result of the administration of this Act, shall be held con-
25 fidential (except for statistical purposes) and shall not be

1 disclosed or be open to public inspection in any manner
2 revealing the identity of the individual or other person
3 from whom the information was obtained or to whom the
4 information pertains, except as may be necessary for the
5 proper administration of this Act or of other laws, State
6 or Federal. Any person who shall violate any provision of
7 this section shall be deemed guilty of a misdemeanor and,
8 upon conviction thereof, shall be punished by a fine not
9 exceeding \$50,000 or by imprisonment not exceeding one
10 year, or both.

PROHIBITION AGAINST DISCRIMINATION

12 SEC. 505. In carrying out the provisions of this Act
13 there shall be no discrimination on account of race, creed,
14 or color. Personal health services shall be made available
15 as benefits to all eligible individuals, and all persons quali-
16 fied under title II to enter into agreements to furnish or
17 provide such services shall be permitted to do so.

18 TITLE VI—ELIGIBILITY DETERMINATIONS,
19 COMPLAINTS, HEARINGS, AND JUDICIAL
20 REVIEW

21 DETERMINATIONS AS TO ELIGIBILITY FOR BENEFITS

22 SEC. 601. (a) The Secretary of Health and Human
23 Services through such units of the Department of Health
24 and Human Services as he may determine, shall upon his
25 own initiative or upon application of any individual make

1 determinations as to the eligibility of individuals for bene-
2 fits under this Act. Whenever requested by any individual
3 determined by the Secretary not to be eligible for benefits
4 for any period, or by a dependent of any such individual,
5 the Secretary shall give such individual or such dependent
6 reasonable notice and opportunity for a hearing with re-
7 spect to such determination and on the basis of the evi-
8 dence adduced at the hearing shall affirm, modify, or re-
9 verse his determination.

10 (b) In carrying out his responsibility under this sec-
11 tion, the Secretary shall have all the powers and duties
12 conferred upon him under sections 205 and 206 of the
13 Social Security Act. Such powers and duties shall be sub-
14 ject to the same limitations and rights of judicial review
15 as are contained in section 205 of such Act. Eligibility
16 for benefits under this title based on entitlement to an
17 annuity under subchapter III (relating to civil service re-
18 tirement) of chapter 83 of title 5, United States Code,
19 shall be determined on the basis of certification by the
20 Office of Personnel Management.

21 (c) Nothing in title IV of this Act shall be deemed
22 to require or authorize any assumption by the State agen-
23 cy, designated in accordance with an approved State plan

1 of operations approved under such title, of any of the Sec-
2 retary's responsibilities under this section, but the Sec-
3 retary may utilize existing facilities and services of any
4 such agency on the basis of mutual agreements with such
5 agency.

6 COMPLAINTS OF ELIGIBLE INDIVIDUALS AND OF
7 PERSONS FURNISHING BENEFITS

8 SEC. 602. (a) Any eligible individual aggrieved by
9 reason of his failure to receive any personal health-service
10 benefits to which he believes himself entitled, or dissatis-
11 fied with any service rendered him as a personal health-
12 service benefit, and any person who has entered into an
13 agreement to furnish services as personal health-service
14 benefits and who is aggrieved by the failure or alleged fail-
15 ure of a local or other administrative officer or a local
16 administrative committee to carry out the agreement in
17 accordance with its terms, may make a complaint to the
18 local administrative officer or local executive officer in the
19 area in which the action or inaction complained of oc-
20 curred, or to such other officer as may be provided in reg-
21 ulations. If the officer to whom such complaint is made
22 finds, after investigation, that the complaint is well found-
23 ed, he shall promptly take such steps as may be necessary

1 and appropriate to correct the action or inaction com-
2 plained of; and he shall notify the individual or other per-
3 son making the complaint of his disposition thereof. Any
4 such individual or other person dissatisfied with the action
5 taken may in writing request a hearing thereon and shall
6 be afforded opportunity for the same pursuant to sub-
7 section (b) of this section.

8 (b) Provision shall be made for the establishment of
9 necessary and sufficient impartial tribunals to afford hear-
10 ings to individuals and other persons entitled thereto
11 under subsection (a) of this section, or section 207(d) of
12 this Act, and for further review of the findings, conclu-
13 sions, and recommendations of such tribunals, in accord-
14 ance with regulations made by the Board, after consulta-
15 tion with the Advisory Council. With respect to any com-
16 plaint involving matters or questions of professional prac-
17 tice or conduct, the hearing body shall contain competent
18 and disinterested professional representation; and with re-
19 spect to any complaint involving only matters or questions
20 of professional practice or conduct the hearing body shall
21 consist exclusively of such professional persons.

22 (c) In administering this section in any State which
23 has not assumed responsibility for the administration of
24 benefits under this Act as provided in title IV, the Board
25 (subject to the provisions of section 501(b)) shall, insofar

1 as they are applicable to its functions under this Act, have
2 all the powers and duties conferred upon the Secretary
3 by sections 205 and 206 of the Social Security Act. Such
4 powers and duties shall be subject to the limitations and
5 rights of judicial review contained in section 205 of such
6 Act.

7 (d) In any State which has assumed responsibility for
8 the administration of benefits under this Act as provided
9 in title IV the powers and duties of the State agency shall
10 be subject to such rights of judicial review in the courts
11 of the State as the law of the State may provide; subject,
12 however, to review by the Supreme Court of the United
13 States in such cases and in such manner as is provided
14 in section 1257 of title 28 of the United States Code.

15 **TITLE VII—APPLICATION OF ACT TO INDIVID-
16 UALS COVERED UNDER MEDICARE PRO-
17 GRAM**

18 **ELIGIBILITY; BENEFITS AVAILABLE**

19 SEC. 701. (a) In the case of any individual who is
20 entitled to hospital insurance benefits under part A of title
21 XVIII of the Social Security Act, or to supplementary
22 medical insurance benefits under the insurance program
23 established by part B of such title, during any benefit year
24 or part thereof in which he is otherwise eligible for benefits
25 under this Act in accordance with section 104 or would

1 otherwise be furnished such benefits in accordance with
2 section 105, the personal health services (specified in sec-
3 tion 101) which may be made available to him as benefits
4 under this Act shall be limited to those services (otherwise
5 available to him in accordance with section 102) for which
6 he is ineligible under part A or B of such title XVIII. For
7 purposes of the preceding sentence, an individual shall be
8 considered ineligible under part A or B of such title XVIII
9 if no payment is or can be made to him or on his behalf
10 thereunder with respect to the item or service involved,
11 whether because he is not entitled to benefits under which-
12 ever such part is applicable, because no payment is pro-
13 vided under either such part for the item or service in-
14 volved, or because he has exhausted his entitlement to
15 have payment made thereunder for items or services of
16 the type involved; and shall also be considered ineligible
17 under part A or B of such title XVIII with respect to any
18 item or service (for which he is otherwise entitled to have
19 payment made thereunder) to the extent that payment is
20 not made with respect to such item or service because of
21 the application of the deductible and coinsurance provi-
22 sions of sections 1813 and 1833 of the Social Security
23 Act.

9 (c) The limitation under subsection (a) of an individ-
10 ual's benefits under this Act shall not be construed as af-
11 fecting the eligibility of his dependents for such benefits
12 in accordance with subsection (a)(3) or (b)(3) of section
13 104.

STUDY AND REPORT

15 SEC. 702. As soon as practicable after the enactment
16 of this Act the Secretary of Health and Human Services
17 shall undertake and carry out a full and complete study
18 of the interrelationship of the program of national health
19 insurance under this Act and the program of health insur-
20 ance for the aged under title XVIII of the Social Security
21 Act, in order to determine the way in which the latter pro-
22 gram may be most effectively and equitably transferred
23 to and incorporated in the program under this Act. In con-
24 ducting such study, the Secretary shall give particular at-
25 tention to the transitional problems which would result

1 from such a transfer, and shall consider in detail (with
2 respect to each such program) the benefits provided, the
3 standards of eligibility therefor, the standards and qual-
4 fications for participation by providers of services of var-
5 ious types, the methods of administration, the costs and
6 methods of financing, and any other matters which might
7 assist in making such determination and in insuring that
8 all desirable features of the program under title XVIII of
9 the Social Security Act will to the maximum extent fea-
10 sible be preserved with respect to the individuals covered
11 by that program (and, in appropriate cases, included in
12 the program under this Act for all individuals who are eli-
13 gible thereunder, without regard to any transfer). The
14 Secretary shall submit to the President and the Congress,
15 no later than one year after the date of the enactment
16 of this Act, a complete report of the study conducted
17 under this section together with his findings as to the most
18 effective and equitable way in which the transfer under
19 consideration could be effected, and his detailed rec-
20 commendations for legislative, administrative, and other ac-
21 tions to accomplish it.

1 **TITLE VIII—FISCAL PROVISIONS**2 **USE OF TRUST FUND**

3 **SEC. 801.** (a) Funds in the National Health Care
4 Trust Fund shall be available for all expenditures nec-
5 essary or appropriate to carry out this Act; except that
6 (subject to the provisions of section 802(g)) only so much
7 of such funds shall be available for salaries or other ad-
8 ministrative expenses of any department or agency of the
9 United States as may be authorized in annual or other
10 appropriation Acts.

11 (b) Sums received as reimbursements to the account
12 pursuant to section 104(c) or section 105, or by virtue
13 of subrogation pursuant to section 104(c), shall be depos-
14 ited in the account and shall be available in accordance
15 with the provisions of subsection (a) of this section.

16 **ALLOTMENT OF FUNDS**

17 **SEC. 802.** (a) The Board, after consultation with the
18 Advisory Council, shall determine, as far in advance of the
19 beginning of each fiscal year as is possible, the sums which
20 shall be available from the Trust Fund for provision dur-
21 ing the fiscal year of all classes, and of each of the five
22 classes, of personal health-service benefits specified in sec-
23 tion 101(a). Such sums shall be determined, after taking
24 into consideration the estimated amount which will be in
25 the Trust Fund at the beginning of the fiscal year and

1 the anticipated income of the account thereafter, with a
2 view (1) to maintaining as nearly as practicable a uniform
3 rate of expenditure for personal health-service benefits in
4 successive fiscal years, except for appropriated allowance
5 on account of anticipated increase in the personnel and
6 facilities available to furnish personal health-service bene-
7 fits and on account of reduction or withdrawal of restric-
8 tions or limitations pursuant to section 102(b), and (2)
9 to establishing and maintaining a reserve in the Trust
10 Fund adequate to meet emergency demands in accordance
11 with subsection (d) of this section and adequate to main-
12 tain the rate of expenditure or to permit its gradual reduc-
13 tion if the income of the Trust Fund should fall below
14 the income which had been anticipated.

15 (b) In accordance with regulations prescribed after
16 consultation with the State agencies, the Board, prior to
17 the beginning of each fiscal year shall allot to the several
18 States, for the fiscal years 1998, 1999, and 2000, 90 per-
19 cent, and for each fiscal year thereafter 95 percent of each
20 sum determined pursuant to subsection (a). Such regula-
21 tions shall provide for allotments on the basis of—

22 (1) the population in the several States eligible
23 for benefits under this Act;
24 (2) professional and other personnel, hospitals,
25 and other facilities, and supplies and commodities,

1 to be available in the several States in the provision
2 of such benefits; and

3 (3) the cost of reasonable and equitable com-
4 pensation to such personnel and facilities and for
5 such supplies and commodities.

6 Such allotments shall operate, to the maximum extent pos-
7 sible, both to assure provision to eligible individuals of
8 adequate personal health-service benefits in all States and
9 all local health-service areas, and also to increase the ade-
10 quacy of services where personnel and facilities are below
11 the national average.

12 (c) From time to time during each fiscal year, the
13 Board shall allot to the several States the remaining 10
14 percent or the remaining 5 percent, as the case may be,
15 of each sum determined pursuant to subsection (a). In
16 making allotments under this subsection, the Board shall
17 take into consideration the factors specified in subsection
18 (b), but shall, in addition, give special consideration to the
19 extent of which allotments under subsection (b) have
20 proved to be insufficient to permit provision of reasonably
21 adequate benefits under this Act.

22 (d) In addition to the sums determined pursuant to
23 subsection (a) to be available for the provision of personal
24 health-service benefits, the Board, after consultation with

1 the Advisory Council, is authorized to make emergency al-
2 lotments from the account if it finds that a disaster, epi-
3 demic, or other cause has substantially increased the vol-
4 ume of personal health-service benefits required in any
5 part of the United States over the volume anticipated
6 when the determinations pursuant to subsection (a) were
7 made. Allotments pursuant to this subsection shall be
8 made to such State or States, for such class or classes
9 of personal health-service benefits, and in such amounts,
10 as the Board may find necessary to meet the emergency.

11 (e) The Board shall from time to time determine the
12 amounts to be paid to each State from its allotments
13 under this section, and shall certify to the Secretary of
14 the Treasury the amounts so determined. The Secretary
15 shall thereupon, and prior to audit or settlement by the
16 General Accounting Office, pay to the State the amounts
17 so certified.

18 (f) Funds paid to a State for any class of personal
19 health-service benefits shall be used exclusively for the
20 provision of benefits of that class, except that the adminis-
21 trative costs of the State in administering personal health-
22 service benefits under this Act may be met from the allot-
23 ments to the State. Such administrative costs, which in
24 any fiscal year shall not exceed 5 percent of the aggregate

1 allotments to the State for such fiscal year, shall be appor-
2 tioned as between the several allotments in accordance
3 with the costs of administering the respective classes of
4 benefits; and such apportionment may be made in such
5 manner, and by such sampling, statistical, or other meth-
6 ods, as may be agreed upon between the Board and the
7 State agency. * * * * *

8 (g) In any case in which the Board has assumed re-
9 sponsibility for the administration in a State of benefits
10 under this Act in accordance with section 402 (d) or (e),
11 all allotments or balances of allotments to such State shall
12 be available for expenditure by the Board for the provision
13 of personal health-service benefits in that State, and (until
14 the Congress shall make funds available therefor pursuant
15 to section 801(a)) for the costs of administration of such
16 benefits in such State. Expenditures authorized pursuant
17 to section 801(a) for such costs of administration shall
18 be charged against allotments to such State.

19 GRANTS-IN-AID FOR TRAINING AND EDUCATION

20 SEC. 803. (a) For the purpose of increasing the avail-
21 ability of training and education for professional and tech-
22 nical personnel engaged or undertaking to engage in the
23 provision or administration of personal health services as
24 benefits under this Act, and to carry out the policies of
25 section 209(a), the Board is authorized to make grants—

1 (1) to public or nonprofit institutions or agen-
2 cies engaging in undergraduate or postgraduate pro-
3 fessional, technical, or administration education or
4 training, for the cost (in whole or in part) of courses
5 or projects which the Board finds, after consultation
6 with the Advisory Council and appropriate Federal
7 departments and agencies, (A) cannot be carried out
8 without financial assistance under this section, and
9 (B) show promise of making valuable contributions
10 to the education, training, or retraining of profes-
11 sional or technical personnel engaged or undertaking
12 to engage in the provision or administration of bene-
13 fits, or

14 (2) to individuals who are professional or tech-
15 nical persons engaged or who undertake to engage
16 in the provision of personal health-service benefits,
17 or who are engaged or undertake to engage in the
18 administration of such benefits, for maintenance (in
19 whole or in part) while in attendance at courses or
20 projects assisted under paragraph (1) or approved
21 by the Board for similar training or education, and
22 for costs of necessary travel.

23 (b) Such grants, in such amounts and for payment
24 at such times as are approved by the Board, shall be cer-
25 tified for payment to the Secretary of the Treasury, who

1 shall pay them from the account to the designated individ-
2 uals, institutions, or agencies.

3 (c) For the purposes of this section there shall be
4 available for the fiscal year 1998 the sum of \$5,000,000,
5 for the fiscal year 1999 the sum of \$5,000,000, and for
6 each fiscal year thereafter an amount not to exceed one-
7 half of 1 percent of the amount expended for benefits
8 under this Act in the last preceding calendar year.

9 **TITLE IX— MISCELLANEOUS PROVISIONS**

10 **DEFINITION**

11 SEC. 901. As used in this Act:

12 (1) The term “wages” means the sum of the following
13 items, excluding any amount in excess of the applicable
14 contribution and benefit base (as determined under section
15 230 of the Social Security Act with respect to the hospital
16 insurance tax) which is received (or, in the case of income
17 from self-employment, accrued) by any individual during
18 any calendar year—

19 (A) all remuneration for employment, including
20 the cash value of all remuneration paid in any me-
21 dium other than cash; except that such term does
22 not include—

23 (i) the amount of any payment made to, or
24 on behalf of, an employee under a plan or sys-
25 tem established by an employer which makes

provision for his employees generally or for a class or classes of his employees (including any amount paid by an employer for insurance or annuities, or into a fund to provide for any such payment), on account of retirement, or sickness or accident disability, or medical and hospitalization expenses in connection with sickness or accident disability, or death; provided, in the case of a death benefit, that the employee (I) has not the option to receive, instead of provision for such death benefit, any part of such payment or, if such death benefit is insured, any part of the premiums (or contributions to premiums) paid by his employer, and (II) has not the right, under the provisions of the plan or system or policy of insurance providing for such death benefit, to assign such benefit, or to receive a cash consideration in lieu of such benefit either upon his withdrawal from the plan or system providing for such benefit or upon termination of such plan or system or policy of insurance or of his employment with such employer;

10 (2) The term "employment" means any service of
11 whatever nature performed by an employee for the person
12 employing him, irrespective of the citizenship or residence
13 of either, within United States, or on or in connection with
14 an American vessel or an American civil aircraft under
15 a contract of service which is entered into within the Unit-
16 ed States or during the performance of which the vessel
17 or aircraft touches at a port or airport in the United
18 States, if the employee is employed on and in connection
19 with such vessel or aircraft when outside the United
20 States, except—

21 (A) service on active duty in the Armed Forces
22 of the United States;

1 is wholly owned by one or more States or political
2 subdivisions;

3 (C) casual labor not in the course of the em-
4 ployer's trade or business;

5 (D) service performed by an employee on or in
6 connection with a vessel not an American vessel, or
7 an aircraft not an American aircraft, if the employee
8 is employed on and in connection with such vessel or
9 aircraft when outside the United States;

10 (E) service performed by a duly ordained or
11 duly commissioned or licensed minister of any
12 church in the regular exercise of his ministry and
13 service performed by a regular member of a religious
14 order in the exercise of duties required by such
15 order;

16 (F) service performed by an individual as an
17 employee or employee representative as defined in
18 section 1 of the Railroad Retirement Act of 1937 or
19 section 1 of the Railroad Retirement Act of 1974;

20 (G) service performance in any calendar quarter
21 in the employ of any organization exempt from in-
22 come tax under section 501 of the Internal Revenue
23 Code of 1986 if—

24 (i) the renumeration for such services does
25 not exceed \$150; or

(ii) such service is in connection with the collection of dues or premiums for a fraternal beneficiary society, order, or association, and is performed away from the home office or is ritualistic service in connection with any such society, order, or association; or

(iii) such service is performed by a student who is enrolled and is regularly attending classes at a school, college, or university;

(H) service performed in the employ of a foreign government (including service as a consular or diplomatic officer or employee or a nondiplomatic representative);

(I) service performed in the employ of an instrumentality wholly owned by a foreign government,

(i) the service is of a character similar to that performed in foreign countries by employees of the United States Government or of an instrumentality thereof; and

(ii) the Secretary of State shall certify to the Secretary of Health and Human Services that the foreign government, with respect to whose instrumentality and employees thereof

1 exemption is claimed, grants an equivalent ex-
2 emption with respect to similar service per-
3 formed in the foreign country by employees of
4 the United States Government and of instru-
5 mentalities thereof; and

6 (J) service performed in the employ of an inter-
7 national organization entitled to enjoy privileges, ex-
8 emptions, and immunities as an international orga-
9 nization under the International Organizations Im-
10 munities Act.

11 (3) In any case in which an individual has received
12 wages equal to the applicable contribution and benefit base
13 (as determined under section 230 of the Social Security
14 Act), in a calendar year, not less than \$500 of such wages
15 shall be deemed, for the purpose of section 104(a), to have
16 been received by him in the quarter during which the first
17 of such wages were in fact received by him and in each
18 quarter of such calendar year thereafter.

19 (4) The term "benefit year" means a period com-
20 mencing on July 1 of any year and ending on June 30
21 of the succeeding year.

22 (5) The term "quarter" and the term "calendar quar-
23 ter" mean a period of three calendar months ending on
24 March 31, June 30, September 30, or December 31.

1 (6) The term "employee" includes (in addition to any
2 individual who is a servant under the law of master and
3 servant) any individual who performs service, of whatever
4 nature, for a person, unless the service is performed by
5 the individual in pursuit of his own independently estab-
6 lished business. The term "employee" also includes an of-
7 ficer of a corporation.

8 (7) The term "American vessel" means any vessel
9 documented or numbered under the laws of the United
10 States; and includes any vessel which is neither docu-
11 mented nor numbered under the laws of any foreign coun-
12 try, if its crew is employed solely by one or more citizens
13 or residents of the United States or corporations orga-
14 nized under the laws of the United States or of any State.

15 (8) The term "American aircraft" means an aircraft
16 registered under the laws of the United States.

17 (9) The term "State" includes the District of Colum-
18 bia.

19 (10) The term "United States", when used in a geo-
20 graphic sense, means the several States, as defined in
21 paragraph (9).

22 (11) The term "dependent" means an unmarried
23 child (including a stepchild, adopted, or foster child) of
24 an individual, who is under the age of eighteen, or who
25 is under a total disability which has continued for a period

1 of not less than six consecutive calendar months and is
2 living with such individual or receiving regular support
3 from him; a wife of an individual living with such individ-
4 ual or receiving regular support from him; a husband who
5 is under a total disability which has continued for a period
6 of not less than six consecutive calendar months, and is
7 living with or receiving regular and substantial support
8 from such individual; and a parent who is living with or
9 receiving regular and substantial support from such indi-
10 vidual.

11 (12) The term "person" means an individual, a trust
12 or estate, a partnership, a corporation, an association, a
13 consumer cooperative, or other organization.

14 **EFFECTIVE DATE**

15 SEC. 902. The effective date of this Act shall be the
16 date of its enactment, but personal health services shall
17 first become available as benefits in accordance with this
18 Act on October 1, 1998.

19 **TITLE X—VALUE ADDED TAX**
20 **AND NATIONAL HEALTH**
21 **CARE TRUST FUND**

22 **SEC. 1001. IMPOSITION OF VALUE ADDED TAX.**

23 (a) IN GENERAL.—Subtitle D of the Internal Reve-
24 nue Code of 1986 (relating to miscellaneous excise taxes)

1 is amended by inserting before chapter 31 the following
 2 new chapter:

3 **“CHAPTER 30—VALUE ADDED TAX**

“SUBCHAPTER A. Imposition of tax.
 “SUBCHAPTER B. Taxable transaction.
 “SUBCHAPTER C. Taxable amount; rate of tax for certain trans-
 actions; credit against tax.
 “SUBCHAPTER D. Administration.
 “SUBCHAPTER E. Definitions and special rules; treatment of cer-
 tain transactions.

4 **“Subchapter A—Imposition of Tax**

“Sec. 3901. Imposition of tax.

5 **“SEC. 3901. IMPOSITION OF TAX.**

6 “(a) GENERAL RULE.—A tax is hereby imposed on
 7 each taxable transaction.

8 “(b) AMOUNT OF TAX.—Except as otherwise pro-
 9 vided in this chapter, the amount of the tax shall be 5
 10 percent of the taxable amount.

11 **“Subchapter B—Taxable Transaction**

“Sec. 3903. Taxable transaction.
 “Sec. 3904. Commercial-type transaction.
 “Sec. 3905. Taxable person.
 “Sec. 3906. Transactions in the United States.
 “Sec. 3907. Rules relating to other terms used in section 3903.

12 **“SEC. 3903. TAXABLE TRANSACTION.**

13 “For purposes of this chapter, the term ‘taxable
 14 transaction’ means—

15 “(1) the sale of property in the United States,
 16 “(2) the performance of services in the United
 17 States, and

1 “(3) the importing of property into the United
2 States,

3 by a taxable person in a commercial-type transaction.

4 **“SEC. 3904. COMMERCIAL-TYPE TRANSACTION.**

5 “(a) GENERAL RULE.—For purposes of this chapter,
6 the term ‘commercial-type transaction’ means a trans-
7 action engaged in by—

8 “(1) a corporation, or

9 “(2) any person (other than a corporation) in
10 connection with a business.

11 “(b) SALES AND LEASES OF REAL PROPERTY; IM-
12 PORTS.—For purposes of this chapter—

13 “(1) IN GENERAL.—The term ‘commercial-type
14 transaction’ includes—

15 “(A) any sale or leasing of real property,
16 and

17 “(B) any importing of property,
18 whether or not such transaction is described in sub-
19 section (a).

20 “(2) CERTAIN IMPORTED ARTICLES.—Notwith-
21 standing paragraph (1)(B), the importing of an arti-
22 cle which is free of duty under part 2 of schedule
23 8 of the Tariff Schedules of the United States shall
24 not be treated as a commercial-type transaction un-
25 less such transaction is described in subsection (a).

1 **“SEC. 3905. TAXABLE PERSON.**

2 “(a) GENERAL RULE.—Except as otherwise provided
3 in this chapter, for purposes of this chapter, the term ‘tax-
4 able person’ means a person who engages in a business
5 or in a commercial-type transaction.

6 “(b) TREATMENT OF EMPLOYEES, ETC.—For pur-
7 poses of this chapter, an employee shall not be treated
8 as a taxable person with respect to activities engaged in
9 as an employee.

10 **“SEC. 3906. TRANSACTIONS IN THE UNITED STATES.**

11 “(a) SALES OF PROPERTY.—For purposes of this
12 chapter—

13 “(1) IN GENERAL.—Except as provided in para-
14 graph (2), the sale of property shall be treated as
15 occurring where delivery takes place.

16 “(2) REAL PROPERTY.—The sale of real prop-
17 erty shall be treated as occurring where the real
18 property is located.

19 “(b) PERFORMANCE OF SERVICE.—For purposes of
20 this chapter—

21 “(1) IN GENERAL.—Except as otherwise pro-
22 vided in this subsection, a service shall be treated as
23 occurring where it is performed.

1 “(2) SERVICES PERFORMED INSIDE AND OUT-
2 SIDE THE UNITED STATES.—If a service is per-
3 formed both inside and outside the United States,
4 such service shall be treated as performed—

5 “(A) inside the United States, if 50 per-
6 cent or more of such service is performed inside
7 the United States, and

8 “(B) outside the United States, if less than
9 50 percent of such service is performed inside
10 the United States.

11 **“SEC. 3907. RULES RELATING TO OTHER TERMS USED IN**
12 **SECTION 3903.**

13 “(a) EXCHANGES TREATED AS SALES.—For pur-
14 poses of this chapter—

15 “(1) an exchange of property for property or
16 services shall be treated as a sale of property, and

17 “(2) an exchange of services for property or
18 services shall be treated as the performance of serv-
19 ices.

20 “(b) CERTAIN TRANSFERS TO EMPLOYEES TREATED
21 AS SALES.—For purposes of this chapter, the transfer of
22 property to an employee as compensation (other than a
23 transfer of a type for which no amount is includible in
24 the gross income of employees for purposes of chapter 1)
25 shall be treated as the sale of property.

1 “(c) PERFORMANCE OF SERVICES.—For purposes of
2 this chapter—

3 “(1) CERTAIN ACTIVITIES TREATED AS PER-
4 FORMANCE OF SERVICES.—Activities treated as in-
5 cluded in the performance of services shall include
6 (but shall not be limited to)—

7 “(A) permitting the use of property,

8 “(B) the granting of a right to the per-
9 formance of services or to reimbursement (in-
10 cluding the granting of warranties, insurance,
11 and similar items), and

12 “(C) the making of a covenant not to com-
13 pete (or similar agreement to refrain from
14 doing something).

15 “(2) EMPLOYERS AND EMPLOYEES.—

16 “(A) SERVICES FOR EMPLOYER.—An em-
17 ployee's services for his employer shall not be
18 treated as the performance of services.

19 “(B) SERVICES FOR EMPLOYEE.—An em-
20 ployer's services for his employee shall not be
21 treated as the performance of services unless
22 such services are of a type which constitute
23 gross income to the employee for purposes of
24 chapter 1.

1 “(3) PERFORMANCE OF SERVICES TREATED AS
2 SALE OF SERVICES.—The performance of services
3 shall be treated as the sale of services.

4 **“Subchapter C—Taxable Amount; Rate of Tax
5 for Certain Transactions; Credit Against Tax**

“Sec. 3911. Taxable amount.
“Sec. 3912. Zero rating for food, housing, and medical care.
“Sec. 3913. Zero rating for exports and interest.
“Sec. 3914. Governmental entities.
“Sec. 3915. Exempt organizations.
“Sec. 3916. Credit against tax.

6 **“SEC. 3911. TAXABLE AMOUNT.**

7 “(a) AMOUNT CHARGED CUSTOMER.—For purposes
8 of this chapter, the taxable amount for any transaction
9 for which money is the only consideration shall be the
10 price charged the purchaser of the property or services by
11 the seller thereof—

12 “(1) including all invoiced charges for transpor-
13 tation, and other items payable to the seller with re-
14 spect to this transaction, but

15 “(2) excluding the tax imposed by section 3901
16 with respect to this transaction and excluding any
17 State and local sales and use taxes with respect to
18 this transaction.

19 “(b) EXCHANGES.—For purposes of this chapter, the
20 taxable amount in any exchange of property or services
21 shall be the fair market value of the property or services
22 transferred by the person liable for the tax (determined

1 as if such person had sold the property or services to the
2 other party to the exchange).

3 “(c) IMPORTS.—For purposes of this chapter, the
4 taxable amount in the case of any import shall be—

5 “(1) the customs value plus customs duties and
6 any other duties which may be imposed, or

7 “(2) if there is no such customs value, the fair
8 market value (determined as if the importer had sold
9 the property).

10 “(d) SPECIAL RULE IN THE CASE OF SALES OF CER-
11 TAIN USED CONSUMER GOODS.—For purposes of this
12 chapter, if—

13 “(1) a taxable person acquires any tangible per-
14 sonal property in a transaction which was not a tax-
15 able transaction, and

16 “(2) such property had been used by an ulti-
17 mate consumer before such acquisition,

18 the taxable amount in the case of any sale of such property
19 by such taxable person (determined without regard to this
20 subsection) shall be reduced by the amount paid for such
21 property by such taxable person.

1 "SEC. 3912. ZERO RATING FOR FOOD, HOUSING, AND MEDI-

2 **CAL CARE.**

3 "(a) ZERO RATING FOR FOOD, HOUSING, AND MEDI-

4 CAL CARE.—The rate of the tax imposed by section 3901

5 shall be zero with respect to the following:

6 "(1) FOOD.—The retail sale of food and non-

7 alcoholic beverages for human consumption (other
8 than consumption on the premises).

9 "(2) HOUSING.—The sale and renting of resi-

10 dential real property for use by the purchaser or
11 tenant as a principal residence.

12 "(3) MEDICAL CARE.—Medical care.

13 "(b) DEFINITIONS.—For purposes of subsection

14 (a)—

15 "(1) NONALCOHOLIC BEVERAGES.—The term

16 'nonalcoholic beverages' does not include any article
17 which is taxable under chapter 51.

18 "(2) MEDICAL CARE.—The term 'medical care'

19 means the performance of any service, and the retail
20 sale of any property, payment for which by the pur-
21 chaser would constitute medical care within the
22 meaning of section 213.

23 "(3) MOBILE HOMES, ETC., TREATED AS REAL

24 PROPERTY.—A mobile or floating home shall be
25 treated as real property.

1 “(c) ADVANCE ZERO RATING.—The Secretary shall
2 prescribe regulations under which any item which becomes
3 clearly identifiable as an item to which subsection (a) will
4 apply when it reaches the retail stage shall be zero rated
5 for all transactions after it becomes so clearly identifiable.

6 **“SEC. 3913. ZERO RATING FOR EXPORTS AND INTEREST.**

7 “The rate of the tax imposed by section 3901 shall
8 be zero with respect to the following:

9 “(1) EXPORTS.—Exports of property.

10 “(2) INTEREST.—Interest.

11 **“SEC. 3914. GOVERNMENTAL ENTITIES.**

12 “(a) ZERO RATING FOR SALES TO GOVERNMENTAL
13 ENTITIES AND EDUCATIONAL ACTIVITIES OF GOVERN-
14 MENTAL ENTITIES.—The rate of the tax imposed by sec-
15 tion 3901 shall be zero with respect to the following:

16 “(1) SALES TO GOVERNMENTAL ENTITIES.—
17 Any sale of property or services to a governmental
18 entity.

19 “(2) EDUCATIONAL ACTIVITIES.—The providing
20 by a governmental entity of property and services in
21 connection with the education of students.

22 “(b) SALES, ETC., BY GOVERNMENTAL ENTITIES
23 TAXABLE ONLY WHERE SEPARATE CHARGE IS MADE.—
24 For purposes of this chapter, the sale of property and the
25 performance of services by a governmental entity shall be

1 a taxable transaction if (and only if) a separate charge
2 of fee is made therefor.

3 “(c) GOVERNMENTAL ENTITY DEFINED.—For pur-
4 poses of this chapter, the term ‘governmental entity’
5 means the United States, any State or political subdivision
6 thereof, the District of Columbia, a Commonwealth or pos-
7 session of the United States, or any agency or instrumen-
8 tality of any of the foregoing.

9 **“SEC. 3915. EXEMPT ORGANIZATIONS.**

10 “(a) ZERO RATING FOR SECTION 501(c)(3) ORGANI-
11 ZATIONS; CREDIT ALLOWED FOR ALL PURCHASES.—

12 “(1) ZERO RATING.—The rate of the tax im-
13 posed by section 3901 shall be zero with respect to
14 any taxable transaction engaged in by a section
15 501(c)(3) organization other than as part of an un-
16 related business.

17 “(2) CREDIT ALLOWED FOR ALL PURCHASES.—
18 For purposes of this chapter, a section 501(c)(3) or-
19 ganization shall be treated as engaged in a business
20 with respect to all of its activities.

21 “(b) TAXABLE TRANSACTIONS IN CASE OF OTHER
22 EXEMPT ORGANIZATIONS.—For purposes of this chapter,
23 the sale of property and the performance of services by
24 any exempt organization other than a section 501(c)(3)

1 organization shall be a taxable transaction if (and only
2 if) a charge or fee is made for such services.

3 “(c) DEFINITIONS.—For purposes of this chapter—

4 “(1) SECTION 501(c)(3) ORGANIZATIONS.—The
5 term ‘section 501(c)(3) organization’ means an orga-
6 nization described in section 501(c)(3) which is ex-
7 empt from tax under section 501(a).

8 “(2) OTHER EXEMPT ORGANIZATION.—The
9 term ‘other exempt organization’ means any organi-
10 zation (other than a section 501(c)(3) organization)
11 which is exempt from tax under chapter 1.

12 **“SEC. 3916. CREDIT AGAINST TAX.**

13 “(a) GENERAL RULE.—There shall be allowed as a
14 credit against the tax imposed by section 3901 the aggre-
15 gate amount of tax imposed by section 3901 which has
16 been paid by sellers to the taxpayer of property and serv-
17 ices which the taxpayer uses in the business to which the
18 transaction relates.

19 “(b) EXEMPT TRANSACTIONS, ETC.—If—

20 “(1) property or services are used partly in the
21 business and partly for other purposes, or

22 “(2) property or services are used partly for
23 taxable transactions and partly for other trans-
24 actions,

1 the credit shall be allowable only with respect to the prop-
 2 erty and services used for taxable transactions in the busi-
 3 ness. No credit shall be allowable for any transaction oc-
 4 curring when the taxpayer was a nontaxable person.

5 **“(c) EXCESS CREDIT TREATED AS OVERPAYMENT.”**

6 **“(1) IN GENERAL.”**—If for any taxable period
 7 the aggregate amount of the credits allowable by
 8 subsection (a) exceeds the aggregate amount of the
 9 tax imposed by section 3901 for such period, such
 10 excess shall be treated as an overpayment of the tax
 11 imposed by section 3901.

12 **“(2) TIME WHEN OVERPAYMENT ARISES.”**—Any
 13 overpayment under paragraph (1) for any taxable
 14 period shall be treated as arising on the later of—

15 **“(A)** the due date for the return for such
 16 period, or

17 **“(B)** the date on which the return is filed.

18 **“Subchapter D—Administration**

“See. 3921. Seller liable for tax.

“Sec. 3922. Tax invoicees.

“See. 3923. De minimis exemption.

“Sec. 3924. Time for filing return and claiming credit; deposits
 of tax.

“Sec. 3925. Treatment of related businesses, etc.

“See. 3926. Secretary to be notified of certain events.

“See. 3927. Regulations.

19 **“SEC. 3921. SELLER LIABLE FOR TAX.”**

20 “The person selling the property or services shall be
 21 liable for the tax imposed by section 3901.

1 "SEC. 3922. TAX INVOICES.

2 "(a) SELLER MUST GIVE PURCHASER TAX IN-
3 VOICE.—Any taxable person engaging in a taxable trans-
4 action shall give the purchaser a tax invoice with respect
5 to such transaction if the seller has reason to believe that
6 the purchaser is a taxable person.

7 "(b) CONTENT OF INVOICE.—The tax invoice re-
8 quired by subsection (a) with respect to any transaction
9 shall set forth—

10 "(1) the name and identification number of the
11 seller,

12 "(2) the name of the purchaser,

13 "(3) the amount of the tax imposed by section
14 3901, and

15 "(4) such other information as may be pre-
16 scribed by regulations.

17 "(c) NO CREDIT WITHOUT INVOICE.—

18 "(1) IN GENERAL.—Except as provided in para-
19 graphs (2) and (3), a purchaser may claim a credit
20 with respect to a transaction only if the purchaser—

21 "(A) has received from the seller and has
22 in his possession a tax invoice which meets the
23 requirements of subsection (b), and

24 "(B) is named as the purchaser in such in-
25 voice.

1 “(2) EMPLOYEES OR OTHER AGENTS NAMED IN
2 INVOICES.—To the extent provided in regulations,
3 the naming of an employee or other agent of the
4 purchaser shall be treated as the naming of the pur-
5 chaser.

6 “(3) WAIVER OF INVOICE REQUIREMENT IN
7 CERTAIN CASES.—To the extent provided in regula-
8 tions, paragraph (1) shall not apply—

9 “(A) where the purchaser without fault on
10 his part fails to receive or fails to have in his
11 possession a tax invoice,

12 “(B) to a taxable transaction (or category
13 of transactions) where—

14 “(i) the amount involved is de
15 minimis, or

16 “(ii) the information required by sub-
17 section (b) can be reliably established by
18 sampling or by another method and can be
19 adequately documented.

20 “(d) TIME FOR FURNISHING INVOICE.—Any invoice
21 required to be furnished by subsection (a) with respect to
22 any transaction shall be furnished not later than 15 busi-
23 ness days after the tax point for such transaction.

24 **“SEC. 3923. DE MINIMIS EXEMPTION.**

25 “(a) IN GENERAL.—Under regulations, a person—

1 “(1) whose aggregate taxable transactions for
2 the calendar year do not exceed \$20,000, and

3 “(2) whose aggregate taxable transactions for
4 the next calendar year can reasonably be expected
5 not to exceed \$20,000,

6 may elect to be treated as a person who is not a taxable
7 person for the next calendar year.

8 “(b) EXCEPTIONS.—Subsection (a) shall not apply—

9 “(1) to any sale or leasing of real property, and

10 “(2) to any importing of property.

11 “(c) TERMINATION OF ELECTION.—Any election
12 under subsection (a) for a calendar year shall terminate
13 if the aggregate taxable transactions—

14 “(1) for the first calendar quarter in such year
15 exceed \$7,000,

16 “(2) for the first 2 calendar quarters in such
17 year exceed \$12,000, or

18 “(3) for the first 3 calendar quarters in such
19 year exceed \$17,000.

20 Such termination shall take effect on the first day of the
21 second month following the close of the first period in
22 which the requirements of paragraph (1), (2), or (3) are
23 met.

1 “(d) TAXABLE AMOUNT TREATED AS ZERO FOR
2 ZERO-RATED TRANSACTIONS.—For purposes of this sec-
3 tion, the taxable amount of any zero-rated transaction
4 shall be treated as zero.

5 “(e) CONDITION OF ELECTION.—In the case of a per-
6 son who is a taxable person for any period, an election
7 under subsection (a) may be made for succeeding periods
8 only with the consent of the Secretary. Such consent shall
9 be conditioned on placing such person, for all succeeding
10 periods, in the same position with respect to the tax im-
11 posed by section 3901 (and the credit allowed by section
12 3916) he would have been in if all property and services
13 he holds at the time he becomes a nontaxable person had
14 been acquired as a nontaxable person.

15 “(f) CASUAL SALES AND LEASES OF REAL PROP-
16 ERTY EXCLUDED.—For purposes of this section, the term
17 ‘taxable transaction’ does not include a transaction which
18 is treated as a commercial-type transaction solely by rea-
19 son of section 3904(b)(1)(A).

20 **“SEC. 3924. TIME FOR FILING RETURN AND CLAIMING
21 CREDIT; DEPOSITS OF TAX.**

22 “(a) FILING RETURN.—Before the first day of the
23 second calendar month beginning after the close of each
24 taxable period, each taxable person shall file a return of

1 the tax imposed by section 3901 on taxable transactions
2 having a tax point within such taxable period.

3 “(b) CREDIT ALLOWED FOR TAXABLE PERIOD IN
4 WHICH PURCHASER RECEIVES INVOICE.—

5 “(1) IN GENERAL.—Except as provided in para-
6 graph (2), a credit allowable by section 3916 with
7 respect to a transaction may be allowed only for the
8 first taxable period by the close of which the tax-
9 payer—

10 “(A) has paid or accrued amounts properly
11 allocable to the tax imposed by section 3901
12 with respect to such transaction, and

13 “(B) has a tax invoice (or equivalent) with
14 respect to such transaction.

15 “(2) USE FOR LATER PERIOD.—Under regula-
16 tions, a credit allowable by section 3916 may be al-
17 lowed for a period after the period set forth in para-
18 graph (1).

19 “(c) TAXABLE PERIOD.—For purposes of this chap-
20 ter—

21 “(1) IN GENERAL.—The term ‘taxable period’
22 means a calendar quarter.

23 “(2) EXCEPTION.—

1 “(A) ELECTION OF 1-MONTH PERIOD.—If
2 the taxpayer so elects, the term ‘taxable period’
3 means a calendar month.

4 “(B) OTHER PERIODS.—To the extent pro-
5 vided in regulations, the term ‘taxable period’
6 includes a period, other than a calendar quarter
7 or month, selected by the taxpayer.

8 “(d) TAX POINT.—For purposes of this chapter—

9 “(1) CHAPTER 1 RULES WITH RESPECT TO
10 SELLER GOVERN.—Except as provided in paragraph
11 (2), the tax point for any sale of property or services
12 is the earlier of—

13 “(A) the time (or times) when any income
14 from the sale should be treated by the seller as
15 received or accrued (or any loss should be taken
16 into account by the seller) for purposes of chap-
17 ter 1, or

18 “(B) the time (or times) when the seller
19 receives payment for the sale.

20 “(2) IMPORTS.—In the case of the importing of
21 property, the tax point is when the property is en-
22 tered, or withdrawn from warehouse, for consump-
23 tion in the United States.

24 “(e) MONTHLY DEPOSITS REQUIRED.—To the extent
25 provided in regulations, monthly deposits may be required

1 of the estimated liability for any taxable period for the
2 tax imposed by section 3901.

3 **“SEC. 3925. TREATMENT OF RELATED BUSINESSES, ETC.**

4 “(a) **GENERAL RULE.**—For purposes of this chapter
5 (other than section 3923), to the extent provided in regu-
6 lations, the taxpayer may elect—

7 “(1) to treat as 1 taxable person 2 or more
8 businesses which may be treated under section 52(b)
9 as 1 employer, and

10 “(2) to treat as separate taxable persons sepa-
11 rate divisions of the same business.

12 “(b) **DE MINIMUS EXEMPTION.**—For purposes of
13 section 3923, all businesses which are under common con-
14 trol (within the meaning of section 52(b)) shall be treated
15 as 1 business.

16 **“SEC. 3926. SECRETARY TO BE NOTIFIED OF CERTAIN**
17 **EVENTS.**

18 “To the extent provided in regulations, each person
19 engaged in a business shall notify the Secretary (at such
20 time or times as may be prescribed by such regulations)
21 of any change in the form in which a business is conducted
22 or any other change which might affect the liability for
23 the tax imposed by section 3901 or the amount of such
24 tax or any credit against such tax, or otherwise affect the
25 administration of such tax in the case of such person.

1 **“SEC. 3927. REGULATIONS.**

2 “The Secretary shall prescribe such regulations as
3 may be necessary to carry out the purposes of this chap-
4 ter.

5 **“Subchapter E—Definitions and Special**
6 **Rules; Treatment of Certain Transactions**

“Sec. 3931. Definitions.

“Sec. 3932. Special rules.

“Sec. 3933. Personal use by owner of business property or serv-
ices.

“Sec. 3934. Gift of business property or services.

“Sec. 3935. Special rules for dispositions of nonbusiness real
property.

“Sec. 3936. Special rule for insurance contracts.

7 **“SEC. 3931. DEFINITIONS.**

8 “(a) PROPERTY.—For purposes of this chapter, the
9 term ‘property’ means any tangible property.

10 “(b) BUSINESS.—For purposes of this chapter, the
11 term ‘business’ includes—

12 “(1) a trade, and

13 “(2) an activity regularly carried on for profit.

14 “(c) EMPLOYEE.—For purposes of this chapter, the
15 term ‘employee’ has the meaning such term has for pur-
16 poses of chapter 24 (relating to withholding).

17 “(d) PERSON.—For purposes of this chapter, the
18 term ‘person’ includes any governmental entity.

1 "(e) BUSINESS DAY.—For purposes of this chapter,
2 the term 'business day' means any day other than Satur-
3 day and Sunday and other than a legal holiday (within
4 the meaning of section 7503).

5 "(f) UNITED STATES.—For purposes of this chapter,
6 the term 'United States', when used in a geographical
7 sense, includes a Commonwealth and any possession of the
8 United States.

9 **"SEC. 3932. SPECIAL RULES.**

10 "(a) COORDINATION WITH SUBTITLE A.—For pur-
11 poses of subtitle A—

12 "(1) TREATMENT OF CREDIT.—Any credit al-
13 lowable to a taxpayer under section 3916 which is
14 attributable to any property or services shall be
15 treated as a reduction in the amount paid or in-
16 curred by the taxpayer for such property or services.

17 "(2) AMOUNT OF DEDUCTION FOR TAX.—The
18 amount allowable as a deduction for the tax imposed
19 by section 3901 shall be determined without regard
20 to any credit allowable under section 3916.

21 "(3) COMPUTATION OF PERCENTAGE DEPLE-
22 TION.—For purposes of sections 613 and 613A—

23 "(A) gross income shall be reduced by the
24 amount of the tax imposed by section 3901,
25 and

1 “(B) taxable income shall be determined
2 without regard to any deduction allowed for
3 such tax.

4 “(b) SPECIAL RULE SALE OF PROPERTY INCLUDES INCI-
5 DENTAL PERFORMANCE OF SERVICES.—For purposes of
6 this chapter, if in connection with the sale of any property
7 there is an incidental performance of services, such per-
8 formance of services shall be treated as part of the sale
9 of such property.

10 “(c) SPECIAL RULE WHERE PERFORMANCE OF
11 SERVICES INCLUDES INCIDENTAL TRANSFER OF PROP-
12 ERTY.—For purposes of this chapter, if in connection with
13 the performance of any services there is an incidental
14 transfer of property, such transfer shall be treated as part
15 of the performance of such services.

16 “(d) AUTHORITY TO ZERO RATE DE MINIMIS
17 TRANSACTIONS, ETC.—The Secretary may prescribe regu-
18 lations providing that the rate of tax shall be zero for a
19 taxable transaction (or category of such transactions)
20 where—

21 “(1) the amount involved is de minimis, or
22 “(2) the revenue raised by taxing the trans-
23 action is not sufficient to justify the administrative
24 and other costs involved in the payment and collec-
25 tion of the tax.

1 “(e) IMPORTING TREATED AS SALE AND PUR-
2 CHASE.—For purposes of this chapter, the importing of
3 any property into the United States shall be treated as
4 both a sale and purchase of such property by the person
5 importing such property.

6 “(f) SUBCHAPTER S CORPORATION TREATED AS
7 NOT A CORPORATION.—For purposes of this chapter, an
8 S corporation (as defined in section 1361(a)) shall be
9 treated as a person which is not a corporation.

10 “(g) USE INCLUDES HELD FOR USE.—For purposes
11 of this chapter, property and services held for use by any
12 person shall be treated as used by the person.

13 **“SEC. 3933. PERSONAL USE BY OWNER OF BUSINESS PROP-
14 ERTY OR SERVICES.**

15 “(a) GENERAL RULE.—If any business property or
16 services are used by an owner of the taxpayer for personal
17 purposes, for purposes of this chapter such use shall be
18 treated as a taxable transaction.

19 “(b) TAXABLE AMOUNT.—In the case of a use de-
20 scribed in subsection (a), for purposes of this chapter, the
21 taxable amount shall be—

22 “(1) except as provided in paragraph (2), the
23 fair market value of the property or the services, or

24 “(2) if such use is only the temporary use of
25 property, the fair rental value of such use.

1 “(c) DEFINITIONS.—For purposes of this section—

2 “(1) BUSINESS PROPERTY OR SERVICES.—The
3 term ‘business property or services’ means any prop-
4 erty or services if a sale of such property, or the per-
5 formance of such services, by the taxpayer would be
6 a taxable transaction.

7 “(2) OWNER.—The term ‘owner’ means—

8 “(A) in the case of a sole proprietorship,
9 the proprietor,

10 “(B) in the case of any other business en-
11 terprise, any holder of a beneficial interest in
12 the corporation, partnership, or other entity,
13 and

14 “(C) any member of the family (within the
15 meaning of section 267(c)(4)) of an individual
16 described in subparagraph (A) or (B).

17 **“SEC. 3934. GIFT OF BUSINESS PROPERTY OR SERVICES.**

18 “(a) GENERAL RULE.—In the case of any gift of
19 business property or services, for purposes of this chap-
20 ter—

21 “(1) such gift shall be treated as a taxable
22 transaction, and

23 “(2) the taxable amount shall be the amount
24 determined under section 3933(b).

1 **“(b) GIFTS RELATED TO BUSINESS PROMOTION ACTIVITIES.**—For purposes of subsection (a), the term ‘gift’
2 includes any gift of property or services transferred in connection with business promotion activities.

5 **“SEC. 3935. SPECIAL RULES FOR DISPOSITIONS OF NON-BUSINESS REAL PROPERTY.**

7 **“(a) IN GENERAL.**—In the case of any sale of real property which is treated as a commercial-type transaction solely by reason of section 3904(b)(1)(A), for purposes of this chapter, the taxable amount shall be the excess (if any) of—

12 “(1) the amount realized on such sale, over
13 “(2) the adjusted cost to the taxpayer of such real property.

15 **“(b) ADJUSTED COST.**—For purposes of subsection 16 (a)—

17 **“(1) IN GENERAL.**—Except as provided in paragraph (2), the term ‘adjusted cost’ means, with respect to any property, the basis of such property increased by expenditures properly chargeable to capital account (other than taxes or other carrying charges described in section 266) for periods during the holding period for such property.

1 “(2) TRANSITIONAL RULE.—The adjusted cost
2 of any property shall include only amounts incurred
3 during periods after December 31, 1995.

4 “(c) VALUE ADDED TAX NOT TAKEN INTO AC-
5 COUNT.—For purposes of this section, the amount realized
6 on any sale of real property shall not include any amount
7 attributable to the tax imposed by this chapter.

8 **“SEC. 3936. SPECIAL RULE FOR INSURANCE CONTRACTS.**

9 “In the case of any contract of insurance, for pur-
10 poses of this chapter, the taxable amount is the excess
11 of—

12 “(1) the portion of the premium attributable to
13 insurance coverage, over

14 “(2) the actuarial cost to the insurer of provid-
15 ing such insurance coverage.”

16 (b) CLERICAL AMENDMENT.—The table of chapters
17 for subtitle D of the Internal Revenue Code of 1986 is
18 amended by inserting before the item relating to chapter
19 31 the following:

“CHAPTER 30. Value added tax.”

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall apply to transactions occurring after
22 December 31, 1997.

1 **SEC. 1002. REVENUE FROM VALUE ADDED TAX TO FUND**2 **NATIONAL HEALTH CARE TRUST FUND.**

3 (a) **IN GENERAL.**—Subchapter A of chapter 98 of the
4 Internal Revenue Code of 1986 (relating to trust fund
5 code) is amended by adding at the end the following new
6 section:

7 **“SEC. 9511. NATIONAL HEALTH CARE TRUST FUND.**

8 (a) **CREATION OF TRUST FUND.**—There is estab-
9 lished in the Treasury of the United States a trust fund
10 to be known as the ‘National Health Care Trust Fund’,
11 consisting of such amounts as may be appropriated or
12 credited to the Trust Fund as provided in this section or
13 section 9602(b).

14 (b) **TRANSFERS TO TRUST FUND.**—There are here-
15 by appropriated to the National Health Care Trust Fund
16 amounts equivalent to amounts received in the Treasury
17 from the tax imposed under section 3901 of the Internal
18 Revenue Code of 1986 (relating to the value added tax).

19 (c) **EXPENDITURES FROM TRUST FUND.**—Amounts
20 in the National Health Care Trust Fund shall be available
21 only for purposes of making expenditures to carry out the
22 program of health benefits under the National Health In-
23 surance Act.”

1 (b) CLERICAL AMENDMENT.—The table of sections
2 for such subchapter A is amended by adding at the end
3 the following new item:

“Sec. 9511. National Health Care Trust Fund.”

4 (c) EFFECTIVE DATE.—The amendments made by
5 this section shall take effect on January 1, 1997.

6 **TITLE XI—STUDY AND DEVELOP-
7 MENT OF COST CONTROL
8 MECHANISMS**

9 **SEC. 1101. DEVELOPMENT OF COST CONTROL MECHA-
10 NISMS.**

11 (a) STUDY.—The Secretary of Health and Human
12 Services shall conduct a study analyzing various methods
13 to control the costs of providing personal health benefits
14 under this Act, and shall include in such study an analysis
15 of the effects on such costs of medical malpractice claims
16 and the purchase of medical malpractice liability insurance
17 by providers of the benefits.

18 (b) REPORTS TO CONGRESS.—Not later than Octo-
19 ber 1, 1999, the Secretary shall submit a report to Con-
20 gress describing the study conducted under subsection (a),
21 and shall include in the report recommendations on meth-
22 ods to control costs under this Act, including recommenda-
23 tions on the development of a system under which medical
24 malpractice claims brought against providers of benefits
25 under this Act may be resolved in an equitable and cost-

1 effective manner. Not later than April 1, 2000, the Sec-
2 retary shall promulgate regulations to implement the rec-
3 ommendations made in the report.

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